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March 1, 2018

VIA ELECTRONIC FILING

Hon. David Jones, Chairman
c/o Sharla Dillon
Tennessee Public Utilities Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

RE: Petition of Tennessee-American Water Company in Support of the Calculation of the 2018 Capital Recovery Riders Reconciliation, Docket No. 18-00022

Dear Chairman Jones:

Attached for filing please find Tennessee-American Water Company's *Petition in Support of the Calculation of the 2018 Capital Recovery Riders Reconciliation*, along with sworn testimony, exhibits, proposed tariffs and workpapers. Set forth within the *Petition* is a request for the entry of a protective order in the same form applied in TPUC Docket No. 13-00130.

As required, an original of this filing, along with four (4) hard copies, as well as two (2) CDs will follow. A check in the amount of \$25.00 for the required filing fee will also be delivered. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP


Melvin J. Malone

clw

Attachments

cc: Daniel Whitaker, Assistant Attorney General , Consumer Protection and Advocate Division
Wayne Irvin, Assistant Attorney General, Consumer Protection and Advocate Division
Vance Broemel, Senior Counsel, Consumer Protection and Advocate Division

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BUTLER SNOW LLP

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

**PETITION OF TENNESSEE-AMERICAN
WATER COMPANY REGARDING
CHANGES TO THE QUALIFIED
INFRASTRUCTURE INVESTMENT
PROGRAM RIDER, THE ECONOMIC
DEVELOPMENT INVESTMENT RIDER,
AND THE SAFETY AND
ENVIRONMENTAL COMPLIANCE
RIDER AND IN SUPPORT OF THE
CALCULATION OF THE 2018 CAPITAL
RECOVERY RIDERS RECONCILIATION**

DOCKET NO. _____

**PETITION IN SUPPORT OF THE CALCULATION
OF THE 2018 CAPITAL RECOVERY RIDERS RECONCILIATION**

Pursuant to Tennessee Code Annotated § 65-5-103 *et seq.*, and the Tennessee Public Utility Commission's ("Commission" or "TPUC") approval of the Amended Petition in TPUC Docket No. 13-00130 on April 14, 2014, Tennessee-American Water Company ("Tennessee American," "TAWC" or "Company") submits this Petition in Support of the Calculation of the 2018 Capital Recovery Riders Reconciliation. Consistent with the action of the Commission in TPUC Docket No. 13-00130, and the approved tariffs submitted therein, as well as the action taken by the Commission in TPUC Docket Nos. 14-00121, 15-00029, 15-00111, 16-00022, 16-000126 and 17-00020,¹ Tennessee American states as follows in support of this Petition:

¹ TPUC Docket No. 14-00121 is the matter in which TAWC submitted its first annual petition subsequent to the approval of the capital rider tariffs in TPUC Docket No. 13-00130. The Commission deliberated on the merits of the Company's petition in Docket No. 14-00121 on June 29, 2015, and TAWC submitted a tariff filing compliant therewith on June 30, 2015 and August 28, 2015. *In Re: Petition of Tennessee-American Water Company for the Reconciliation of the 2015 Capital Riders*, TPUC Docket No. 15-00029, is the matter in which TAWC submitted its first petition in support of the reconciliation calculations for the capital riders subsequent to the approval of the capital rider tariffs in TPUC Docket No. 13-00130. The Commission deliberated on the merits of the Company's petition in Docket No. 15-00029 on October 19, 2015, and TAWC submitted a tariff filing compliant therewith on October 28, 2015. TPUC Docket No. 15-00111 is the matter in which TAWC submitted its second annual petition subsequent to the approval of the capital riders tariffs in TPUC Docket No. 13-00130. The Commission deliberated on the merits of the Company's petition in Docket No. 15-00111 on March 14, 2016, and TAWC submitted a tariff

I.

DESCRIPTION OF TENNESSEE AMERICAN

1. Tennessee American, a Tennessee corporation authorized to conduct a public utility business in the State of Tennessee, is a public utility as defined in Tenn. Code Ann. § 65-4-101, and provides residential, commercial, industrial and municipal water service, including public and private fire protection service, to Chattanooga and surrounding areas, including approximately 75,840 customers, that are subject to the jurisdiction of the Commission pursuant to Chapter 4 and Chapter 5 of Title 65 of the T.C.A. Tennessee American also serves customers in North Georgia. The rates for those customers are not regulated by the Public Service Commission of the State of Georgia, but are instead regulated by this Commission.

2. Tennessee American is a wholly-owned subsidiary of American Water Works Company, Inc., which is the largest water holding company in the United States, providing water and wastewater services to sixteen (16) million people in thirty-five (35) states and two (2) Canadian Provinces.

3. Tennessee American's principal place of business is located at 109 Wiehl Street, Chattanooga, Tennessee 37406.

filing compliant therewith on March 21, 2016. *In Re: Petition of Tennessee-American Water Company for the Reconciliation of the 2016 Capital Riders*, TPUC Docket No. 16-00022, is the matter in which TAWC submitted its second petition in support of the reconciliation calculations for the capital riders subsequent to the approval of the capital rider tariffs in TPUC Docket No. 13-00130. The Commission deliberated on the merits of the Company's petition in Docket No. 16-00022 on October 10, 2016, and TAWC submitted a tariff filing compliant therewith on October 14, 2016.

TPUC Docket No. 16-00126 is the matter in which TAWC submitted its third annual petition subsequent to the approval of the Capital Recovery Rider tariffs in TPUC Docket No. 13-00130. The Commission deliberated on the merits of the Company's petition in Docket No. 16-000126 on March 13, 2017, and TAWC submitted a tariff filing compliant therewith on March 17, 2017. *In Re: Petition of Tennessee-American Water Company for the Reconciliation of the 2016 Capital Riders*, TPUC Docket No. 17-00020, is the matter in which TAWC submitted its third petition in support of the reconciliation calculations for the Capital Recovery Riders subsequent to the approval of the Capital Recovery Rider tariffs in TPUC Docket No. 13-00130. The Commission deliberated on the merits of the Company's petition in Docket No. 17-00020 on August 15, 2017, and TAWC submitted a tariff filing compliant therewith on August 29, 2017.

4. All correspondence and communication with respect to this Petition should be sent to the following:

Linda Bridwell
Manager of Rates and Regulation – Tennessee and Kentucky
Kentucky American Water Company
2300 Richmond Road
Lexington, KY 40502
Linda.Bridwell@amwater.com
(859) 268-6373 (office)
(859) 268-6374 (fax)

Melvin J. Malone
Butler Snow LLP
The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201
melvin.malone@butlersnow.com
(615) 651-6700 (office)
(615) 651-6701 (fax)

II.

BACKGROUND

5. In 2013, the Tennessee General Assembly passed House Bill 191, which revised Tenn. Code Ann. § 65-5-103 to allow alternative regulatory methods and mechanisms that recover certain costs without convening a general rate case, as long as specific criteria are satisfied, including, but not limited to, the Commission making a finding, prior to approval, that such alternative methods and mechanisms are in the public interest.

6. On October 4, 2013, Tennessee American submitted a Petition (the “*October 2013 Petition*”) seeking approval of four (4) proposed alternative regulatory methods and mechanisms as permitted under Tenn. Code Ann. § 65-5-103 *et seq.* More specifically, the

Company sought approval for a Qualified Infrastructure Investment Program Rider (“QIIP”),² an Economic Development Investment Rider (“EDI”),³ a Safety and Environmental Compliant Rider (“SEC”) ⁴ and a Pass-Throughs mechanism for Fuel, Purchased Power, Chemicals, Purchased Water, Wheeling Water Costs, Waste Disposal and TPUC Inspection Fee (“PCOP”).⁵⁶ One of the primary regulatory concepts underlying the then-proposed Capital Riders and PCOP was to allow, with the requisite safeguards to serve the public interest, smaller, gradual increases in rates and thereby lessen the occurrence of “rate shock.” One of the many benefits of this new, more streamlined recovery approach would be the likelihood of less frequent rate case filings.

7. On January 10, 2014, the Company and the Attorney General and Reporter for the State of Tennessee, through the Consumer Advocate and Protection Division (“CAPD” or “Consumer Advocate”), submitted a Stipulation in TPUC Docket No. 13-00130 (the “*Stipulation*”), resolving the contested issues presented and offering the *Stipulation* to the Commission for its review, consideration and approval. Considering the *Stipulation* and the

² The QIIP Rider is designed, in part, to mitigate regulatory lag, to accelerate the timeframe of essential infrastructure upgrades and replacements, and to produce a safer and more reliable water distribution and production system for ratepayers. Additionally, this mechanism has many other customer benefits and protections, including the lessening of the occurrence of “rate shock” associated with Base Rate increases.

³ The EDI Rider is designed, in part, to promote the public interest by supporting and enhancing Tennessee American’s ability to serve both growing and new businesses and by permitting the Company to prudently promote economic development, growth and expansion in its service area.

⁴ Generally, the SEC Rider supports the Company’s ability to serve the public interest by providing safe and reliable drinking water. The current regulatory environment, coupled with aging infrastructure, will require a larger investment in safety and environmental compliance not previously recognized in the Company’s rates. Hence, one of the benefits of this rider is avoiding “rate shock” by permitting smaller, more gradual rate increases over time.

⁵ The PCOP is designed to streamline the recovery process by permitting Tennessee American to recover the largest non-labor related component of the Company’s operations and maintenance expenses in a more timely manner, as increases in these essential and non-discretionary expenses (such as chemicals and power) are outside the control of the Company’s management.

⁶ For ease of reference, the QIIP, the EDI and the SEC are referred to collectively herein as the “Capital Riders.”

supporting documentation as an Amended Petition, the Commission approved the Capital Recovery Riders and the PCOP on April 14, 2014.⁷

III.

THE APPROVED CAPITAL RECOVERY RIDERS, THE PCOP AND THIS PETITION

8. Detailed explanations of the Capital Recovery Riders and the PCOP, along with underlying supporting documentation, are set forth in the Direct, Rebuttal and Supplemental Testimony of Gary M. VerDouw in TPUC Docket No. 13-00130.⁸ Moreover, the Company's revised tariff sheets setting forth the Capital Recovery Riders, the PCOP, and the regulatory safeguards related thereto, were submitted in TPUC Docket No. 13-00130 on March 25, 2014 (the "*Approved Tariffs*"), and approved by the Commission as part of the Amended Petition on April 14, 2014.

9. On April 14, 2014, the Commission determined, after a review of the evidentiary record in TPUC Docket No. 13-00130, including the *Stipulation* and the *Approved Tariffs*, that the proposed Capital Recovery Riders and the PCOP were reasonable and that the *Approved Tariffs* met the requirements of Tenn. Code Ann. § 65-5-103 *et seq.*⁹ As set forth in the *Approved Tariffs*, the Commission noted that the Capital Recovery Riders and the PCOP would not only accommodate a more timely recovery process for necessary costs and expenses, but also that these methods and mechanisms would further avoid the delay and expense commonly associated

⁷ *Transcript of Proceedings, In the Matter of Tennessee Public Utilities Commission Conference*, TPUC Docket No. 13-00130, pp. 14-16 (April 14, 2014) (excerpt) (hereinafter "*Hearing Tr.*"). See also *Order Approving Amended Petition*, TPUC Docket No. 13-00130 (Jan. 27, 2016).

⁸ The Testimony of CAPD Witness William H. Novak in TPUC Docket No. 13-00130 likewise aided in shaping the *Stipulation* and the Amended Petition as well.

⁹ *Hearing Tr.* at 14-16. See also *Order Approving Amended Petition*, TPUC Docket No. 13-00130 (Jan. 27, 2016).

with full blown rate case proceedings.¹⁰ Finally, the Commission found the Amended Petition to be in the public interest.¹¹

10. As set forth in the *Approved Tariffs*, on or before December 1 of each year, Tennessee American is required to file with the Commission its QIIP, EDI and SEC Rider projections for the upcoming calendar year in the manner, and with the accompanying support, required by the *Approved Tariffs* and the Commission. As required, the Company previously submitted these projections to the Commission in TPUC Docket No. 17-00124.

11. As set forth in the *Approved Tariffs*, within forty-five (45) days of the end of the most recently authorized attrition year set forth in the most recent rate case order, and every twelve (12) months subsequent to the end of that attrition year, the Company shall submit to the Commission an annual filing calculating the PCOP percentage rate.¹² The PCOP percentage rate shall become effective thirty (30) days after the annual filing is submitted to the Commission and shall be applied as an adjustment to customers' bills for the twelve (12) month period following the effective date of the PCOP percentage rate. As required, the Company previously submitted the annual filing calculating the PCOP percentage rate to the Commission in TPUC Docket No. 18-00009.

12. As set forth in the *Approved Tariffs*, no later than March 1 of each year, Tennessee American is required to file with the Commission its QIIP, EDI, and SEC Rider reconciliations for the previous calendar year in the manner, and with the accompanying support, required by the *Approved Tariffs* and the Commission. Based upon Tenn. Code Ann. § 65-5-103 *et seq.*, and consistent with the *Approved Tariffs*, as well as the action of the Commission in

¹⁰ *Id.* at 15. See also *Order Approving Amended Petition*, TPUC Docket No. 13-00130 (Jan. 27, 2016).

¹¹ *Id.* See also *Order Approving Amended Petition*, TPUC Docket No. 13-00130 (Jan. 27, 2016).

¹² The PCOP differs from the Capital Riders in that it is based upon actual historical expense increases, rather than a forward-looking, projection mechanism.

TPUC Docket Nos. 14-00121, 15-00029, 15-00111, 16-00022, 16-00126 and 17-00020, Tennessee American is submitting its reconciliation for the Capital Recovery Riders.

13. In further support of its Petition, Tennessee American has simultaneously filed the following direct testimony, which is incorporated herein by reference:

- (a) **Direct Testimony of Linda C. Bridwell**, which provides underlying support for the calculation of the 2018 Capital Recovery Riders Reconciliation and sponsors certain Tennessee American Exhibits.
- (b) **Direct Testimony of Brent E. O'Neill**, which provides underlying support for the calculation of the 2018 Capital Recovery Riders Reconciliation, including support for the capital investments and capital expenditures, and sponsors certain Tennessee American Exhibits.

14. Tennessee American has filed simultaneously with this Petition the necessary tariffs.

15. In order to ensure the timely submission of relevant information in this matter, Tennessee American hereby requests the entry of a protective order similar to that approved in TPUC Docket No. 13-00130. Such a proposed protective order is attached hereto as **EXHIBIT A**.

16. Tennessee American submits that the Petition, and its accompanying support documentation, are consistent with Tenn. Code Ann. § 65-5-103 *et seq.*, consistent with the action of the Commission on the Amended Petition, and subsequent related dockets, and consistent with and serve the public interest. Therefore, this Petition and Tennessee American's associated tariffs should be approved.

WHEREFORE, Tennessee American respectfully requests:

1. That the Commission approve this Petition and issue an order pursuant to Tenn. Code Ann. § 65-5-103 *et. seq.* and consistent with the action of the Commission on the Amended Petition;

2. That the Commission approve the calculation of the 2018 Capital Recovery Riders Reconciliation as submitted herein;

3. That the Commission approve Tennessee American's tariffs, as submitted herein, as soon as is practicable; and

4. That the Commission grant such other and/or further relief as may be warranted.

This the 1st day of March, 2018.

RESPECTFULLY SUBMITTED,



MELVIN J. MALONE (BPR #013874)
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150 3rd Avenue South, Suite 1600
Nashville, TN 37201
melvin.malone@butlersnow.com
(615) 651-6705

Attorneys for Tennessee-American Water Company

Dated: March 1, 2018

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Daniel Whitaker III, Esq.
Assistant Attorney General
Office of the Attorney General
Consumer Protection and Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207

This the 1st day of March, 2018.



Melvin J. Malone

EXHIBIT A

**BEFORE THE TENNESSEE PUBLIC UTILITIES COMMISSION
NASHVILLE, TENNESSEE**

**PETITION OF TENNESSEE-AMERICAN)
WATER COMPANY REGARDING)
CHANGES TO THE QUALIFIED)
INFRASTRUCTURE INVESTMENT)
PROGRAM RIDER, THE ECONOMIC)
DEVELOPMENT INVESTMENT RIDER,)
AND THE SAFETY AND)
ENVIRONMENTAL COMPLIANCE)
RIDER AND IN SUPPORT OF THE)
CALCULATION OF THE 2018 CAPITAL)
RIDERS RECONCILIATION)**

DOCKET NO. _____

PROTECTIVE ORDER

To expedite the flow of filings, discovery, exhibits and other materials, and to facilitate the prompt resolution of disputes regarding confidentiality of the material, adequately protect material entitled to be kept confidential and to ensure that protection is afforded only to material so entitled, the Hearing Officer, as appointed by the Tennessee Public Utilities Commission ("TPUC"), hereby orders the following:

1. For the purpose of this Protective Order (the "Order"), proprietary or confidential information, hereinafter referred to as "CONFIDENTIAL INFORMATION" shall mean documents and information in whatever form which the producing party, in good faith, deems to contain or constitute trade secrets, confidential commercial information, confidential research, development, financial statements, confidential data of third parties, or other commercially sensitive information, and which has been specifically designated by the producing party. A "Producing Party" is defined as the party creating the confidential information as well as the party having actual physical possession of information produced pursuant to this Order. All

summaries, notes, extracts, compilations or other direct or indirect reproduction from or of any protected materials shall be entitled to protection under this Order. Documents containing CONFIDENTIAL INFORMATION shall be specifically marked as "CONFIDENTIAL" on the cover and each page of the document. Any document so designated shall be handled in accordance with this Order. The provisions of any document containing CONFIDENTIAL INFORMATION may be challenged under Paragraph 12 of this Order.

2. Any individual or company subject to this Order, including producing parties or persons reviewing CONFIDENTIAL INFORMATION, shall act in good faith in discharging their obligations hereunder. Parties permitted to intervene in this matter after the date of entry of this Protective Order shall be subject to the terms and conditions of this Protective Order and will be allowed access to CONFIDENTIAL INFORMATION under the conditions prescribed herein.

3. CONFIDENTIAL INFORMATION shall be used only for the purposes of this proceeding, and shall be expressly limited and disclosed only to the following persons:

- (a) Counsel of record for the parties and other legal counsel for the parties in this case and associates, secretaries and paralegals actively engaged in assisting counsel of record in this proceeding;
- (b) TPUC Directors and members of the staff of the TPUC;
- (c) Officers, directors, or employees of the parties, including employees of intervenors and the Office of the Tennessee Attorney General; provided, however, that CONFIDENTIAL INFORMATION shall be shown only to those persons having a need to know;
- (d) Representatives of the parties who need to know because they are actively engaged in assisting counsel of record in preparing for this proceeding; and
- (e) Outside consultants and expert witnesses (and their Staff) employed or retained by the parties or their counsel, who need access to CONFIDENTIAL INFORMATION solely for evaluation, testing, testimony, preparation for trial or other services related to this docket, provided that to the extent that any party seeks to disclose CONFIDENTIAL INFORMATION to any outside consultant or expert witness, the party shall give five (5) days written notice to the Producing

Party of intention to disclose CONFIDENTIAL INFORMATION. During such notice period, the Producing Party may move to prevent or limit disclosure for cause, in which case no disclosure shall be made until the TPUC or the Hearing Officer rules on the motion. Any such motion shall be filed within three (3) days after service of the notice. Any response shall be filed within three (3) days after service of the Motion. A Pre-Hearing Conference may be called to confer with the parties on the Motions to Limit Disclosure. All service shall be by hand delivery, facsimile or email. All filings by email in this docket shall be followed up by delivering a hard copy of the filing to the Docket Manager of the TPUC.

4. Notwithstanding the provisions in Paragraph 3 above, under no circumstances shall any CONFIDENTIAL INFORMATION be disclosed to or discussed with anyone associated with the marketing of products, goods, or services that may be in competition with the products, goods or services of the Producing Party. Counsel for the parties are expressly prohibited from disclosing CONFIDENTIAL INFORMATION produced by another party to their respective clients, except for in-house counsel and persons who need to know in order to assist counsel of record with preparation of this case.

5. (a) Prior to disclosure of CONFIDENTIAL INFORMATION to any employee or associate counsel for a party, the counsel representing the party who is to receive the CONFIDENTIAL INFORMATION shall provide a copy of this Order to the recipient employee or associate counsel, who shall be bound by the terms of this Order. Prior to disclosure of CONFIDENTIAL INFORMATION to any outside consultant or expert witness employed or retained by a party, counsel shall provide a copy of this Order to such outside consultant or expert witness, who shall sign the Nondisclosure Statement in the form of that attached to this Order attesting that he or she has read a copy of this Order, that he or she understands and agrees to be bound by the terms of this Order, and that he or she understands that unauthorized disclosure of documents labeled "CONFIDENTIAL" constitutes a violation of this Order. The Nondisclosure Statement shall be signed in the presence of and be notarized by a notary public.

Counsel of record for each party shall provide the Producing Party a copy of each such Nondisclosure Statement and shall keep the Nondisclosure Statements executed by the parties' experts or consultants on file in their respective offices.

(b) Disclosure of CONFIDENTIAL INFORMATION other than as provided for in this Protective Order shall not be made to any person or entity except with the express written consent of the Producing Party or upon further order of the TPUC or of any court of competent jurisdiction.

6. If any party or non-party subject to this Order inadvertently fails to designate documents as CONFIDENTIAL in accordance with the provisions of this Order when producing the documents this failure shall not constitute a waiver of confidentiality, provided the party or non-party who has produced the document shall notify the recipient of the document in writing within five (5) days of discovery of such inadvertent failure to designate the document as CONFIDENTIAL. At that time, the recipients will immediately treat the subject document as CONFIDENTIAL. In no event shall the TPUC, or any party to this Order, be liable for any claims or damages resulting from the disclosure of a document provided while not so labeled as "CONFIDENTIAL." An inadvertent failure to designate a document as CONFIDENTIAL, shall not, in any way, affect the TPUC's determination as to whether the document is entitled to CONFIDENTIAL status.

7. If any party or non-party subject to this Order inadvertently fails to designate documents as CONFIDENTIAL in accordance with the provisions of this Order when producing such documents and the failure is not discovered in time to provide a five (5) day notification to the recipient of the confidential nature of the documents referenced in the paragraph above, the failure shall not constitute a waiver of confidentiality and a party by written motion or by oral

motion at a Pre-Hearing Conference or at the Hearing on the Merits may request designation of the documents as CONFIDENTIAL, and if the motion is granted by the Hearing Officer or the Commission, the recipients shall immediately treat the subject documents as CONFIDENTIAL. The Tennessee Public Utilities Commission or the Hearing Officer may also, at his or her discretion, either before or during the Pre-Hearing Conference or Hearing on the Merits of the case, allow information to be designated CONFIDENTIAL and treated as such in accordance with the terms of this Order.

8. Any papers filed in this proceeding that contain, quote, paraphrase, compile or otherwise disclose documents covered by the terms of this Order, or any information contained therein, shall be filed and maintained in the TPUC Docket Room in sealed envelopes marked CONFIDENTIAL and labeled to reflect the style of this proceeding, the docket number, the contents of the envelope sufficient to identify its subject matter and this Protective Order. The envelopes shall be maintained in a locked filing cabinet. The envelopes shall not be opened or their contents reviewed by anyone except upon order of the TPUC or the Hearing Officer after due notice to counsel of record. The filing party shall also include with the filing a public version of the papers with any CONFIDENTIAL INFORMATION redacted. The public version shall reflect the style of the proceeding, the docket number, the contents of the envelope sufficient to identify its subject matter and shall reference this Protective Order. Notwithstanding the foregoing, the Directors and the Staff of the TPUC may review any paper filed as CONFIDENTIAL without obtaining an order of the TPUC or the Hearing Officer provided the Directors and Staff maintain the confidentiality of the paper in accordance with the terms of this Order.

9. Documents, information and testimony designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS (as defined in Paragraph 20) in accordance with this Order, may be used in testimony at the Hearing of this proceeding and offered into evidence or used in any hearing related to this action in a manner that protects the confidentiality of the information, subject to the Tennessee Rules of Evidence and to such future orders as the TPUC or the Hearing Officer may enter. Any party intending to use documents, information, or testimony designated CONFIDENTIAL or PROTECTED SECURITY MATERIALS shall inform the Producing Party and the TPUC or the Hearing Officer prior to the Hearing on the Merits of the case, of the proposed use; and shall advise the TPUC or the Hearing Officer and the Producing Party before use of the information during witness examinations so that appropriate measures can be taken by the TPUC or the Hearing Officer to protect the confidential nature of the information.

10. Except for documents filed in the TPUC Docket Room, all documents covered by the terms of this Order that are disclosed to the requesting party shall be maintained separately in files marked CONFIDENTIAL and labeled with reference to this Order at the offices of the requesting party's counsel of record, kept in a secure place and returned to the Producing Party pursuant to Paragraph 17 of this Order.

11. Nothing herein shall be construed as preventing any party from continuing to use and disclose any information (a) that is in the public domain, or (b) that subsequently becomes part of the public domain through no act of the party, or (c) that is disclosed to it by a third party, where said disclosure does not itself violate any contractual or legal obligation, or (d) that is independently developed by a party, or (e) that is known or used by it prior to this proceeding.

The burden of establishing the existence of (a) through (e) shall be upon the party attempting to use or disclose the information.

12. Any party may contest the designation of any document or information as CONFIDENTIAL or PROTECTED SECURITY MATERIALS by filing a Motion with the TPUC or Hearing Officer as appropriate, for a ruling that the documents, information or testimony should not be so treated. Upon the filing of such a motion, the designating party shall bear the burden of supporting its designation of the documents or information at issue as CONFIDENTIAL INFORMATION. All documents, information and testimony designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS, however, shall be maintained as such until the TPUC or the Hearing Officer orders otherwise. A Motion to contest must be filed not later than fifteen (15) days prior to the Hearing on the Merits. Any Reply seeking to protect the status of CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS must be received not later than ten (10) days prior to the Hearing on the Merits and shall be presented to the Commission at the Hearing on the Merits for a ruling.

13. Nothing in this Order shall prevent any party from asserting any objection to discovery other than an objection based upon grounds of confidentiality.

14. Non-party witnesses shall be entitled to invoke the provisions of this Order by designating information disclosed or documents produced for use in this action as CONFIDENTIAL, in which event the provisions of this Order shall govern the disclosure of information or documents provided by the non-party witness. A designation of information as CONFIDENTIAL by a non-party witness may be challenged under Paragraph 12 of this Order.

15. No person authorized under the terms herein to receive access to documents, information, or testimony designated as CONFIDENTIAL shall be granted access until such person has complied with the requirements set forth in Paragraph 5 of this Order.

16. Any person to whom disclosure or inspection is made in violation of this Order shall be bound by the terms of this Order.

17. Upon entry of a final order in this proceeding, and the conclusion of any appeals resulting therefrom, all the filings, exhibits and other materials and information designated CONFIDENTIAL or PROTECTED SECURITY MATERIALS and all copies thereof shall be returned to counsel for the party who produced (or originally created) the filings, exhibits and other materials, within fifteen (15) days. Notwithstanding any provision herein to the contrary, the requirement of this paragraph shall become operative immediately upon any intervenor who withdraws or otherwise ceases to be a party to the case, even though the case itself may continue to be pending. Subject to the requirements of Paragraph 8 above, the TPUC shall retain copies of information designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS as may be necessary to maintain the record of this case intact. Counsel who received the filings, exhibits and other materials, designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS shall certify to counsel for the Producing Party that all the filings, exhibits and other materials, plus all copies or extracts, notes or memorandums from the filings, exhibits and other materials, and all copies of the extracts from the filings, exhibits and other materials thereof have been delivered to counsel for the Producing Party or destroyed and that with respect to any electronic copies of CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS received or mentioned by the receiving party, all reasonable efforts have been undertaken to eliminate said information. If any electronic CONFIDENTIAL INFORMATION

or PROTECTED SECURITY MATERIALS cannot be eliminated through the use of reasonable efforts, any such remaining materials shall be subject to the continuing restrictions contained in paragraph eighteen (18) of this Order.

18. After termination of this proceeding, the provisions of this Order relating to the confidential nature of CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS, information and testimony shall continue to be binding upon parties herein and their officers, employers, employees, agents, and/or others unless this Order is vacated or modified or is supplanted by an order of the court or courts before which is pending a challenge to any order entered in this proceeding.

19. Nothing herein shall prevent entry of a subsequent order, upon an appropriate showing, requiring that any documents, information or testimony designated as CONFIDENTIAL shall receive protection other than that provided herein.

20. In addition to the other provisions of this Order, Tennessee American Water Company ("the Company") may designate and label as "PROTECTED SECURITY MATERIALS" documents and information related to security measures undertaken to protect public health and safety. The Company shall provide access to PROTECTED SECURITY MATERIALS to TPUC Directors and members of the staff of the TPUC and further only to authorized representatives of the Intervenors in this docket.

21. The Company shall provide access to an authorized representative to PROTECTED SECURITY MATERIALS only after such authorized representative has executed a Nondisclosure Statement in the form of that attached to this Order and provided a copy to the Company. Except, with consent of the Company: (i) access shall be at the offices of the Company or its counsel of record and under supervision of the Company; (ii) PROTECTED

SECURITY MATERIALS shall not be removed from the offices of the Company or its counsel; (iii) no copies shall be provided to an authorized representative except as provided herein. Authorized representatives may make notes or memoranda from a review of the PROTECTED SECURITY MATERIALS and may remove such notes and memoranda. In all other respects such notes and memoranda shall remain PROTECTED SECURITY MATERIALS and subject to the provisions hereof. PROTECTED SECURITY MATERIALS shall be used only to assist TPUC staff or any other party to prepare for and to try this proceeding and shall not be used for any other purpose in this or any other jurisdiction.

22. Except as provided in this Order, the contents of PROTECTED SECURITY MATERIALS to which the TPUC staff or other party is given access, and any notes, memoranda, or any form or information or opinions regarding or derived from the PROTECTED SECURITY MATERIALS shall not be disclosed to anyone other than an authorized representative in accordance with the Order, except that an authorized representative may disclose his or her conclusions or findings solely within, and for the purposes of, this proceeding and in accordance with this Order. PROTECTED SECURITY MATERIALS shall not otherwise be published, disclosed or divulged except as expressly provided herein. The TPUC Directors, TPUC staff and any other party shall treat all notes memoranda or opinions regarding or derived from the PROTECTED SECURITY MATERIALS as confidential and shall keep them in a secure location with access limited to an authorized representative, and the contents of PROTECTED SECURITY MATERIALS and any information derived from them shall be considered highly confidential, and shall not be deemed public records. The TPUC staff, any party, Hearing Officer, or the TPUC Directors may discuss any position or conclusion regarding

security expenditures and testimony in briefs, orders, pleadings, or hearings in this proceeding without disclosing protected information to the public in accordance with this Order.

23. The Attorney General and his staff have authority to enter into Nondisclosure Agreements pursuant to Tenn. Code Ann. § 65-4-118 which are consistent with state and federal law, regulations and rules.

24. The Attorney General and his staff agree to keep CONFIDENTIAL INFORMATION in a secure place and will not permit them to be seen by any person who is not an employee of the State of Tennessee, the Office of Attorney General and Reporter, or a person who has not signed a Nondisclosure Agreement.

25. The Attorney General and his staff may make copies of CONFIDENTIAL INFORMATION or any portion thereof. To the extent permitted by state and federal law, regulations and rules, all notes utilizing supporting information shall be subject to the terms of this Order to the extent factual assertions are derived from the supporting information.

26. To the extent permitted by state law, the Attorney General will provide timely notice of filing or disclosure in the discharge of the duties of the Office of the Attorney General and Reporter, pursuant to Tenn. Code Ann. § 10-7-504(a)(5)(C) or any other law, regulation or rule, so that the Company may take action relating to disclosure.

27. CONFIDENTIAL INFORMATION is subject to this Protective Order, which is entered pursuant to the Tennessee Rules of Civil Procedure. If any person or entity subject to this Protective Order receives a request or subpoena seeking the disclosure or production of information labeled as "CONFIDENTIAL INFORMATION" by a party, such person or entity shall give prompt written notice to the TPUC Hearing Officer and the party within not more than five (5) days of receiving such a request, subpoena or order and: (i) shall respond to the request,

subpoena or order, in writing, stating that the CONFIDENTIAL INFORMATION is protected pursuant to this Protective Order; and (ii) shall not disclose or produce such CONFIDENTIAL INFORMATION unless and until subsequently ordered to do so by a court of competent jurisdiction. This Protective Order shall operate as an exception to the Tennessee Public Records Act, as set forth in the language of Tenn. Code Ann. § 10-7- 503(a) “. . . unless otherwise provided by state law.” (See, e.g., Ballard v. Herzke, 924 S.W.2d 652 (Tenn. 1996); Arnold v. City of Chattanooga, 19 S.W.3d 779 (Tenn. Ct. App. 1999) (holding that “state law” includes the Tennessee Rules of Civil Procedure)). Because this Protective Order is issued pursuant to the Tennessee Rules of Civil Procedure, this Order creates an exception to any obligations of the Attorney General, including attorneys and members of theirs, as to the Public Records Act and other open records statutes as to CONFIDENTIAL INFORMATION. In the event that any court of competent jurisdiction determines in the course of a lawsuit brought as a result of a person’s or entity’s fulfillment of the obligations contained in this paragraph that information designated as “CONFIDENTIAL INFORMATION” by a party is not CONFIDENTIAL INFORMATION as defined in paragraph 1 of this Protective Order, then the party designating the information as “CONFIDENTIAL INFORMATION” shall be responsible for all costs associated with or assessed in the lawsuit. This Protective Order acknowledges the role and responsibilities of the Attorney General and the Attorney General’s staff, as set forth in Title 8, Chapter 6 of the Tennessee Statutes, beyond the duties associated with the Consumer Advocate and Protection Division, as prescribed in Tenn. Code Ann. § 65-4-118. This Protective Order is not intended to conflict with the Attorney General’s role and responsibilities, especially the investigative functions, as set forth in Title 8, Chapter 6. For there to be compliance with this Protective Order, any CONFIDENTIAL INFORMATION shared outside of the Consumer Advocate and

Protection Division must be provided the full and complete protection afforded other confidential or protected information in the control and custody of the Attorney General.

28. The designation of any information, documents or things in accordance with this Order as constituting or containing confidential or proprietary information the Attorney General's, or their respective staff's, treatment of such material as confidential or proprietary in compliance with this Order is not an admission or agreement by the Attorney General, or their respective staff, that the material constitutes or contains confidential commercial information or trade secret information and shall not be deemed to be either a waiver of the right to challenge such designation or an acceptance of such designation. The Company agrees to designate information, documents or things provided to the Attorney General as confidential commercial information or trade secret if it has a good faith basis for the claim. The Company will upon request of the Attorney General, or their respective staff, provide a written explanation of the details, including statutory authority, that support its confidential commercial information or trade secret claim within five (5) days of a written request. The Company also specifically agrees that it will not designate any documents as CONFIDENTIAL INFORMATION or label such documents as "CONFIDENTIAL" if the documents:

- (a) have been distributed to the public, consumers or others, provided that proprietary customer information provided by the Company to its customers or their marketers may be designated as CONFIDENTIAL INFORMATION; or
- (b) are not maintained by the Company as confidential commercial information or trade secrets or are not maintained by the Company as proprietary customer information.

29. Nothing in this Order shall prevent the Attorney General from using the CONFIDENTIAL INFORMATION received for investigative purposes in the discharge of the duties of the Office of the Attorney General and Reporter. Additionally, nothing in this Order shall prevent the Attorney General from informing state officials and third parties of the fact of an investigation, as needed, to conduct the investigation. Without limiting the scope of this paragraph, nothing in this Order shall prevent the Attorney General from contacting consumers whose names were provided by the Company or from discussing with any consumer any materials that he or she allegedly received from the Company or confirming that a consumer actually received the materials, to the extent that the Attorney General or his staff does so in a manner that complies with the provisions of this Order.

30. The terms of the foregoing paragraphs 23 through 29 do not apply to PROTECTED SECURITY MATERIALS as set forth in paragraphs 20-22 of this Order. PROTECTED SECURITY MATERIALS shall be treated in accordance with paragraphs 20-22.

31. All information, documents and things designated as CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS and produced in accordance with this Order may be disclosed in testimony or offered into evidence at any TPUC or court hearing, trial, motion or proceeding of this matter, subject to the provisions of this Order, including paragraph 9, and the applicable Rules of Evidence. The party who produced the information, documents and things designated as CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS agrees to stipulate to the authentication of such information, documents and things in any such proceeding.

32. Nothing in this Order is intended to restrict or alter federal or state laws, regulations or rules.

33. Any person who has signed a Nondisclosure Statement or is otherwise bound by the terms of this Order shall continue to be bound by this Order and/or Nondisclosure Statement even if no longer employed or engaged by the TPUC or Intervenors.

**BEFORE THE TENNESSEE PUBLIC UTILITIES COMMISSION
NASHVILLE, TENNESSEE**

**PETITION OF TENNESSEE-AMERICAN)
WATER COMPANY REGARDING)
CHANGES TO THE QUALIFIED)
INFRASTRUCTURE INVESTMENT)
PROGRAM RIDER, THE ECONOMIC)
DEVELOPMENT INVESTMENT RIDER,)
AND THE SAFETY AND)
ENVIRONMENTAL COMPLIANCE)
RIDER AND IN SUPPORT OF THE)
CALCULATION OF THE 2018 CAPITAL)
RIDERS RECONCILIATION)**

DOCKET NO. _____

NONDISCLOSURE STATEMENT

I have reviewed the Protective Order entered in the above-captioned matter and agree to abide and be bound by its terms. I understand that unauthorized disclosure of information or documents labeled "CONFIDENTIAL" or "PROTECTED SECURITY MATERIALS" will be a violation of the Protective Order.

DATE

NAME

STATE OF _____)

COUNTY OF _____)

Personally appeared before me, _____, a Notary Public,
_____, with whom I am personally acquainted, who
acknowledged that he/she executed the within instrument for the purposes therein contained.

WITNESS my hand, at office, this _____ day of _____, 2018.

NOTARY PUBLIC

My Commission Expires: _____

PETITIONER'S EXHIBIT LCB-1

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 18- 00022

DIRECT TESTIMONY

OF

LINDA C. BRIDWELL

ON

**CHANGES TO THE QUALIFIED INFRASTRUCTURE INVESTMENT PROGRAM
RIDER, THE ECONOMIC DEVELOPMENT INVESTMENT RIDER, AND THE
SAFETY AND ENVIRONMENTAL COMPLIANCE RIDER AND IN SUPPORT OF
THE CALCULATION OF THE 2018 CAPITAL RECOVERY RIDERS
RECONCILIATION**

SPONSORING PETITIONER'S EXHIBITS:

PETITIONER'S EXHIBIT -- CAPITAL RIDERS RECONCILIATION – LCB
PETITIONER'S EXHIBIT – CAPITAL RIDER CHARGES SUMMARY – LCB
PETITIONER'S EXHIBIT – WORK ORDER DETAIL SUMMARY – LCB
PETITIONER'S EXHIBIT – DECEMBER 2017 MONTHLY REPORT TO TPUC – LCB
PETITIONER'S EXHIBIT --CURRENT TARIFF SHEET NO. 12—CAPITAL RIDERS –
LCB
PETITIONER'S EXHIBIT – CURRENT TARIFF SHEET NO. 12 – RIDERS – LCB
PETITIONER'S EXHIBIT – PROPOSED TARIFF SHEET NO. 12 – RIDERS - LCB
PETITIONER'S EXHIBIT – ANNUAL APPROVED TARIFFS -- LCB

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Linda C. Bridwell and my business address is 2300 Richmond Road,
3 Lexington, Kentucky 40502.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by American Water Works Service Company (“AWW”) as Senior Manager
6 of Rates and Regulation for Tennessee and Kentucky.

7 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS OR ANY**
8 **OTHER COMMISSION?**

9 A. Yes. I provided written testimony before the Tennessee Public Utility Commission
10 (“TPUC” or “Commission”) in TPUC Docket No. 12-00049 and TPUC Docket No. 15-
11 00001, and both written and oral testimony in TPUC Docket No. 14-00121, 15-00029, 15-
12 00111, 15-00131, 16-00022, 16-00126, 16-00148 and 17-0002, and I’ve provided written
13 testimony in TPUC Docket Nos. 17-00124 and 18-00009. I have also provided both
14 written and oral testimony in at least seventeen different proceedings before the Kentucky
15 Public Service Commission (“PSC”), including rate cases, special investigations, and
16 applications for a Certificate of Public Convenience and Necessity.

17 **Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL**
18 **BACKGROUND.**

19 A. I received a B.S. degree in Civil Engineering from the University of Kentucky in 1988, and
20 I received a M.S. degree in Civil Engineering from the University of Kentucky in 1992,
21 with an emphasis in water resources. I completed a Masters of Business Administration
22 from Xavier University in Cincinnati, Ohio in 2000. I am a registered Professional
23 Engineer in the Commonwealth of Kentucky.

1 I have been employed by American Water (“AWW”) since 1989. I began as a
2 distribution supervisor for Kentucky American Water (“KAWC”) until 1990 when I was
3 promoted to Planning Engineer. Following that I was promoted to Engineering Manager,
4 and later Director of Engineering in 1998. In July 2004, I accepted the position of Project
5 Delivery and Developer Services Manager for the Southeast Region of AWW, responsible
6 for Kentucky, Tennessee, and West Virginia. In 2008, I became the KAWC Project
7 Delivery Manager for the construction of a new water treatment plant, booster station, and
8 transmission main in Kentucky. This project was the largest project completed by
9 American Water, in any of its regulated businesses, at \$164 million. Upon completion of
10 the project in October 2010, I became the Director of Environmental Compliance and
11 Water Quality for KAWC and in February of 2012 I accepted my current position. I am
12 an active member of the American Water Works Association (AWWA), served as
13 president of the local chapter and state section of the American Society of
14 Civil Engineering (ASCE), and served as an officer in the local chapter of the National
15 Society of Professional Engineers (NSPE) and as a State officer. I have served periodically
16 as an Adjunct Professor at the University of Kentucky in the Civil Engineering
17 Department, teaching “Water Quality and Pollution Control” and the “Introduction to
18 Environmental Engineering.” I served as a member of the Civil Engineering Industrial
19 Advisory Committee at the University of Kentucky from 2005 until 2012. I served as a
20 Commissioner on the Kentucky Water Resources Development Commission established
21 by Governor Patton and on the Kentucky State Board of Licensure for Professional
22 Engineers and Land Surveyors. I currently serve as Vice Chairman of the Board of
23 Directors for the Kentucky Infrastructure Authority.

1 **Q. WHAT ARE YOUR DUTIES AS SENIOR MANAGER OF RATES AND**
2 **REGULATION?**

3 A. My primary responsibilities encompass the coordination of regulatory issues in Tennessee
4 and Kentucky. This includes coordinating all reports and filings, working with regulatory
5 staff to make sure that all information produced addresses the requirements or requests,
6 and overseeing the preparation and filing of rate cases and tariff changes. I work with the
7 senior management in both states on planning. I am also responsible for keeping abreast
8 of changes in regulation, or trends in regulatory oversight across the United States that may
9 impact our local operations. I report to the Presidents of Tennessee American Water
10 (“Tennessee American,” “TAWC” or “Company”) and KAWC dually. I am located in
11 Kentucky, but work closely with the TAWC staff in Tennessee as well.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 A. The purpose of my testimony is to support the calculation of the 2018 Capital Recovery
14 Riders Reconciliation described in TAWC’s Petition, for the period of January 1, 2017
15 through December 31, 2017. On April 14, 2014, the TPUC approved four new alternative
16 rate mechanisms for TAWC, effective April 15, 2014, in TPUC Docket No. 13-00130.
17 Three of these alternative rate mechanisms were capital program recovery riders,
18 commonly referred to as the “Capital Recovery Riders,” and one was for a rider for
19 Production Costs and Other Pass-throughs (“PCOP”). The three Capital Recovery Riders
20 are the only items included in this current Petition.

21 On June 29, 2015, the TPUC approved an adjustment to the three Capital Recovery
22 Riders for 2015 in Docket No. 14-00121, with some modifications to one of the Capital
23 Recovery Riders. Those modifications, set forth in the TPUC’s February 1, 2016, *Order*

1 *Granting, In Part, Denying, In Part, Petition*, have been incorporated into the current
2 Petition for an adjustment for 2018. Additionally, TAWC has included the corrections
3 made to the Capital Recovery Riders calculations in Docket No. 15-00111, and 16-00022¹
4 and 17-00020.

5 The purpose of TAWC's Petition, which this testimony accompanies (the
6 "Petition"), is to provide the required information for the reconciliation of the 2017 review
7 period to comply with the previously approved Capital Recover Riders tariffs, which as
8 noted above were approved in TPUC Docket No. 13-000130. The information provided
9 in my testimony is consistent with Tenn. Code Ann. § 65-5-103 *et seq.* and the TPUC's
10 April 14, 2014, approval of the Capital Recovery Riders.

11 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

12 A. Yes I am. I am sponsoring the following exhibits:

13 **Petitioner's Exhibit – Capital Riders Reconciliation – LCB**
14 **Petitioner's Exhibit – Capital Rider Charges Summary – LCB**
15 **Petitioner's Exhibit – Work Order Detail Summary – LCB**
16 **Petitioner's Exhibit – December 2017 Monthly Report to TPUC – LCB**
17 **Petitioner's Exhibit Current Tariff Sheet No. 12—Capital Riders – LCB**
18 **Petitioner's Exhibit – Current Tariff Sheet No. 12 – Riders – LCB**
19 **Petitioner's Exhibit – Proposed Tariff Sheet No. 12 – Riders - LCB**
20 **Petitioner's Exhibit – Annual Approved Tariffs -- LCB**

21
22 I will discuss these exhibits in further detail in my testimony below.

23 **Q. WERE THE PETITIONER'S EXHIBITS LISTED ABOVE PREPARED BY YOU**
24 **OR UNDER YOUR DIRECTION AND SUPERVISION?**

25 A. Yes.

^{1 1} See *Order Approving Petition As Amended*, TRA Docket No. 15-00111 (May 16, 2016); *Pre-filed Testimony of TAWC Witness Linda C. Bridwell*, TRA Docket No. 16-00022; and *Order Granting Petition*, TRA Docket No. 16-00022 (Dec. 29, 2016).

1 **Q. WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE**
2 **PETITIONER'S EXHIBITS LISTED ABOVE?**

3 A. The data used to prepare the exhibits was acquired from the books of account and business
4 records of Tennessee American, the officers and associates of Tennessee American with
5 knowledge of the facts based on their job responsibilities and activities, and other internal
6 sources which I examined in the course of my investigation of the matters addressed in this
7 testimony. The Company's filings in this TPUC Docket are complete and accurate to the
8 best of my knowledge and belief; the filing is compliant with TAWC's Capital Recovery
9 Riders tariffs and all TPUC orders and directives related to TAWC's Capital Recovery
10 Riders tariffs; any changes in the Petition from previously approved Capital Recovery
11 Riders' methodologies or calculations are identified in the Petition and supporting
12 documentation; the accounting data set forth in this filing is reflected in the Company's
13 General Ledger, or have been reconciled from the Company's General Ledger to the filing
14 in the workpapers provided with the filing. There are two files that were used to provide
15 support information that are the final versions of the calculations in Docket No. 16-00022
16 and Docket No. 17-00020. These two files have been provided only in excel format and
17 not in paper copy because the information links to the current filing.

18 **Q. DO YOU CONSIDER THIS DATA TO BE RELIABLE AND OF A TYPE THAT IS**
19 **NORMALLY USED AND RELIED ON IN YOUR BUSINESS FOR SUCH**
20 **PURPOSES?**

21 A. Yes.

1 **Q. DO THE PETITIONER'S EXHIBITS LISTED ABOVE ACCURATELY**
2 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**
3 **DATA?**

4 A. Yes, they do.

5 **Q. WHAT ARE THE THREE CAPITAL RECOVERY RIDERS APPROVED BY THE**
6 **TPUC?**

7 A. Pursuant to Tennessee Code Annotated Section 65-5-103 et seq., the three Capital
8 Recovery Riders authorized in Docket No. 13-00130 are based on certain categories of
9 capital expenditures to cover the investment period of calendar year 2014. The first Capital
10 Recovery Rider is the Qualified Infrastructure Investment Program (“QIIP”) Rider. This
11 rider is designed to recover the costs associated with the capital investment made in
12 between rate cases to replace aging infrastructure that is non-revenue producing. This
13 means infrastructure that does not produce additional revenues. Examples of infrastructure
14 that produces additional revenues are main extensions specifically for a new development,
15 or new services or meters for new customers. As outlined in Docket No. 13-00130, aging
16 water and wastewater infrastructure is a growing problem across the United States,
17 including Tennessee, that will require significant investments over the next few decades to
18 continue to provide clean and reliable water service. This rider helps TAWC address the
19 replacement of this critical, aging infrastructure. The QIIP Rider includes replacement of
20 existing infrastructure in the areas of mains, meters, services, hydrants, water treatment
21 equipment, pumping equipment, and tank painting.

22 The second Capital Recovery Rider is the Economic Development Investment
23 (“EDI”) Rider. This rider is primarily for the recovery of investment made in infrastructure

1 to assist in economic development in the communities and areas served by TAWC.
2 Communities across the country are competing for economic development opportunities
3 to provide growth in jobs, taxes, and overall quality of life for residents. This rider provides
4 an opportunity for TAWC to partner with the communities it serves to assist in economic
5 development. Additionally, unlike the QIIP Rider, the EDI Rider may include operating
6 expenses related specifically to economic development.

7 The third Capital Recovery Rider is the Safety and Environmental Compliance
8 (“SEC”) Rider. This rider is for the recovery of investment made to comply with safety
9 and environmental regulations since the previous rate case. TAWC, like other utilities, is
10 faced with increasing capital investment needs to comply with safety and environmental
11 regulations. This rider assists TAWC in addressing those needs. Like the EDI Rider, the
12 SEC Rider may include operating expenses that can be identified as specifically for the
13 new infrastructure under this rider.

14 An adjustment to those three Capital Recovery Riders was authorized by the
15 Commission in Docket No. 14-00121 to cover the investment period of the calendar year
16 2015. A reconciliation of the three Capital Recovery Riders for 2014 was authorized in
17 Docket No. 15-00029. A second adjustment to the three Capital Recovery Riders was
18 authorized in Docket No. 15-00111 to cover the investment period of the calendar year
19 2016. A second reconciliation of the three Capital Recovery Riders for 2015 was
20 authorized in Docket No. 16-00022. A third adjustment to the three Capital Recovery
21 Riders was authorized in Docket No. 16-00126 to cover the investment period of the
22 calendar year 2017. A third reconciliation of the three Capital Recovery Riders for 2016
23 was authorized in Docket No. 17-00020. A fourth adjustment to the three Capital Recovery

1 Riders is pending in Docket No. 17-00124 to cover the investment period of the calendar
2 year 2018. The purpose of the current Petition is to comply with the tariffs approved in
3 TPUC Docket No. 13-00130 and provide the required information and supporting
4 documentation in each of the Capital Recovery Riders for the reconciliation of the
5 investment period of calendar year 2017.

6 Attached to my testimony is **Petitioner's Exhibit Current Tariff Sheet No. 12—**
7 **Capital Riders – LCB**, which is a copy of all three Capital Recovery Riders tariff sheets
8 as approved in TPUC Docket No. 13-00130, and as modified in TPUC Docket No. 14-
9 00121 and as further clarified in TPUC Docket No. 15-00029, Docket No. 15-00111,
10 Docket No. 16-00022, 16-00126 and Docket No. 17-00020.

11 **Q. HOW IS THE PROCESS UNDER THE APPROVED CAPITAL RECOVERY**
12 **RIDERS DIFFERENT FROM THE PREVIOUS AND HISTORICAL**
13 **REGULATORY APPROACH WITH RESPECT TO INVESTMENT METHODS?**

14 A. As far as the projects and the investment into those projects are concerned, there isn't any
15 difference. The difference between the new riders and the future test year regulatory
16 approach that has been used by TAWC in rate cases is largely in the method and procedure
17 of filing, the deference of fully litigated rate cases and the lessening of rate shock, and the
18 multiple benefits of the streamlined alternative mechanisms. If it were not for the new
19 alternative regulatory methods available to the Commission and the regulated community,
20 TAWC would likely have had to file a rate case in 2017 or earlier. These new methods have
21 deferred the need to file a full rate case, at least in the short term. In theory, these petitions
22 should make the regulatory process much more streamlined and less burdensome, without
23 reducing effective and meaningful regulatory oversight. As intended under the statute and

1 approved by the Commission, the whole process is more efficient, timely and much less
2 expensive. There is no doubt but that the alternative rate adjustment methods are working.

3 **Q. IN DOCKET NO. 14-00121, THE TPUC ORDERED CHANGES TO THE**
4 **ELIGIBLE ITEMS WITHIN THE EDI RIDER. ARE THE ITEMS EXCLUDED**
5 **BY THE COMMISSION EXCLUDED IN THIS PETITION?**

6 A. Yes. In Docket No. 14-00121, the TPUC made modifications to the eligible items within
7 the EDI Capital Recovery Rider, removing new services, new meters, and the alternative
8 fuel vehicles. These changes were recognized in Docket No. 15-00111 and are reflected
9 fully in this Petition. TAWC removed those items from the EDI for 2014, 2015, 2016 and
10 now 2017.

11 **Q. IN DOCKET 15-00029, THE TPUC ORDERED THAT GOING FORWARD, TAWC**
12 **SHOULD FILE WORKPAPERS IN A FORMAT THAT DOESN'T USE ARRAY**
13 **FORMULAS IN CALCULATIONS, AND FOLLOWS A CLEAR AUDIT TRAIL**
14 **FOR CALCULATIONS. HAS TAWC DONE THAT IN THIS FILING?**

15 A. Yes. TAWC prepared the files in an excel workbook similar to what was prepared in
16 Docket No. 13-00130 and Docket No. 14-00121. TAWC then prepared a "Proof"
17 worksheet in the excel file of the tabs that utilized array formulas for calculation, but went
18 through the calculations without array formulas. In the electronic version, the "Proof"
19 worksheets are found at the end of the excel workbook. There are also worksheets that
20 demonstrate the total additions, removals and retirements, and Contributions in the Aid of
21 Construction ("CIAC") for 2017. This is consistent with previous dockets including 15-
22 00029, 15-00111, 16-00022, 16-00126, 17-00020 and 17-00124.

1 **Q. ARE THERE OTHER CHANGES TO THE EXCEL WORKBOOK OR**
2 **CALCULATIONS FROM THE FILES FROM DOCKET NO. 17-00020 AND 17-**
3 **00124?**

4 A. Yes. In addition to any corrections that were carried forward from previous dockets,
5 Tennessee American made two changes to the excel workbook. They are as follows:

6 1) Tennessee American again calculated an Earning Test Adjustment. A workpaper in
7 excel has been included that calculates the Earnings Test Adjustment amount. The monthly
8 reports were updated during Docket No. 17-00020 to more accurately reflect Accumulated
9 Deferred Income Taxes. The source of the information for the workpaper are the monthly
10 reports provided to the TPUC. That information is compiled directly from the General
11 Ledger. While this was included in Docket No. 17-00020, I believed it was worth including
12 it in the list of changes.

13 2) Tennessee American added an adjustment for revenues collected in prior reconciliations
14 due to an undercollection in Private Fire Service surcharges. In a 2017 rate audit,
15 Tennessee American realized that the Capital Recovery Rider rates for Private Fire Service
16 had not been changed since the submission and approval of the Capital Recovery Riders.
17 Tennessee American immediately notified impacted customers, corrected the rate, and
18 back-billed those customers for 2017. However, Tennessee American is prohibited from
19 collecting revenues prior to 2017. Recognizing that the under-collection of those revenues
20 in 2015 and 2016 led to higher reconciliation amounts on all other customer classifications,
21 Tennessee American has created a one-time adjustment to essentially adjust that over-
22 collected amount from other customers. A workpaper has also been included in the filing
23 to demonstrate how TAWC determined the amount of the adjustment.

1
2
3 **Q. IN DOCKET NO. 17-00020, TENNESSEE AMERICAN MADE AN ADJUSTMENT**
4 **TO THE RECONCILIATION OF THE CAPITAL RECOVERY RIDERS TO**
5 **REMOVE A PORTION OF REVENUE REQUIREMENT FOR ANNUAL**
6 **PERFORMANCE COMPENSATION IN 2014, 2015 AND 2016. HAS AN**
7 **ADJUSTMENT FOR ANNUAL PERFORMANCE COMPENSATION BEEN**
8 **MADE IN THIS CASE?**

9 A. No, it has not. In Docket No. 17-00020, Tennessee American made a reduction to the
10 revenue requirement requested for the Annual Performance Compensation that had been
11 capitalized in 2014, 2015 and 2016 above authorized levels. By doing so, Tennessee
12 American essentially removed the revenues for those years from the revenue requirement.
13 The authorized amount of revenues for Docket No. 17-00020, with the afore referenced
14 reductions, are included in the accounting for all revenues in this filing. So, an additional
15 adjustment to the revenue requirement does not need to be made in this proceeding for
16 those years. Tennessee American further adjusted the proposed 2018 Capital Recovery
17 Riders in Docket No. 17-00124 to remove the carrying costs for that capitalized Annual
18 Performance Compensation for both 2017 and 2018, thus eliminating the need to include
19 it in this reconciliation.

20 **Q. CAN YOU EXPLAIN THE ADJUSTMENT FOR THE PRIVATE FIRE SERVICE**
21 **CAPITAL RECOVERY SURCHARGE RATE MENTIONED ABOVE?**

22 A. Certainly. In August 2017, Tennessee American conducted an internal rate review. This
23 essentially required going into the software billing system, pulling sample bills for each

1 rate category, and comparing the billed amount to actual customers against the authorized
2 rate in the tariffs. During the 2017 rate review, all sample bills were found to be correct
3 except for one category, private fire service connections. After further inquiry, it was
4 determined that after the Capital Recovery Riders were established in 2014, that rate for
5 Private Fire Service customers was not adjusted with the authorized changes in 2015, 2016,
6 and 2017. Private Fire Service customers were being charged the original rate of 1.08%
7 the entire time. What should have occurred were 8 adjustments to the Capital Recovery
8 Riders during that timeframe: 1) An adjustment effective 6/30/2015 from Docket No. 14-
9 00121; 2) An adjustment effective 11/1/2015 from the reconciliation in Docket 15-00029;
10 3) An adjustment effective 1/1/2016 when the reconciliation from Docket 15-00029 ended;
11 4) An adjustment effective 3/15/2016 from Docket No. 15-00111; 5) An adjustment
12 effective 10/11/2016 from the reconciliation in Docket 16-00022; 6) An adjustment
13 effective 1/1/2017 when the reconciliation from Docket 16-00022 ended; 7) An adjustment
14 effective 3/4/2017 from Docket 16-00126; and 8) an adjustment effective 8/16/2017 from
15 the reconciliation in Docket 17-00020.

16 Tennessee American immediately moved to correct the mistake, changing the rate within
17 the billing software and back-billing those customers for the appropriate rates in 2017.
18 Tennessee American sent correspondence to all customers affected explaining the error,
19 and offering a 90-day payment period since most private fire customers are set up on a
20 quarterly billing cycle. However, Tennessee American is unable to back-bill more than
21 one year.

22 Tennessee American recognizes that because the Company mistakenly did not adjust the
23 rate, the revenues collected for the reconciliation of the Capital Recovery Riders in 2015

1 as shown in Docket No. 16-00022 and in 2016 as shown in Docket No. 17-00020 were less
2 than they would have been if the error had not occurred. This created a situation where the
3 reconciliation rate for the Capital Recovery Riders for those two cases were higher for
4 other customer classifications than they should have been.

5 In order to correct this, Tennessee American calculated the rate that would have been
6 proposed in each of Docket No. 16-00022 and Docket No. 17-00020 if the fully amount of
7 revenues had been collected from the private fire service. Tennessee American then
8 calculated the difference in the revenues that would have been collected for all other
9 customer classes with the lower rate as \$142,039. Tennessee American adjusted the
10 reconciliation in this proceeding to credit that amount of revenues back to customers. The
11 calculation for this reduction is included in the workpapers.

12 **Q. WHY DID TAWC MAKE THE ADJUSTMENT IN THIS RECONCILIATION FOR**
13 **THE DIFFERENCE IN RATES CHARGED TO THE PRIVATE FIRE SERVICE**
14 **CUSTOMERS?**

15 A. Because the reconciliation includes an adjustment based on over/under collection of
16 revenues each year under the Capital Recovery Riders. Other customer classifications
17 would be essentially subsidizing the rates of private fire service customers due to a mistake
18 TAWC had made. In sum, in large measure, this adjustment was a fairness issue.

19
20 **Q. HOW HAS THE APPLICATION OF THE EDI RIDER BEEN DIFFERENT FROM**
21 **THE PREVIOUS INVESTMENT REGULATORY METHODS UTILIZED BY**

1 **TAWC PRIOR TO THE APPROVAL OF THE RIDERS IN TPUC DOCKET NO.**
2 **13-00130?**

3 A. Without the EDI Rider, the projects included in that Capital Recovery Rider may not have
4 been as successful or potentially would not have developed at all. Under its previous
5 investment methods for development, TAWC would have required the developers to pay
6 for the relocation and replacement of assets, thus increasing the upfront costs to them.
7 Given the amount of the investment, coupled with the growth, jobs, and other positive
8 attributes attached to these projects, losing one or more of the projects would have been a
9 disappointment to the communities. These projects demonstrate that the EDI Rider is an
10 extremely valuable tool that can enhance a community's ability to attract future economic
11 development opportunities. Successes such as these will help the area gain an upper hand
12 in the rigid competition among competing communities, which ultimately benefits all of
13 TAWC's customers. For instance, additional water sales have the potential to offset the
14 ongoing declining use that TAWC has experienced, maintaining a water sales level close
15 to authorized and thus contribute to cover a portion of the Company's fixed expenses. This
16 helps maintain lower rates to all of our customers.

17 **Q. HOW IS THE SEC RIDER ALSO DIFFERENT FROM PREVIOUS INVESTMENT**
18 **METHODS OF INVESTMENT THAT WERE AVAILABLE TO TAWC PRIOR TO**
19 **THE APPROVAL OF THE RIDERS IN TPUC DOCKET NO. 13-00130?**

20 A. The overall strategy is similar, but an important difference is that the investment is made
21 through a program that expressly delineates and highlights the reason needed for the
22 investment. To the extent that additional investments are made for safety and

1 environmental compliance measures under the SEC Rider, the purpose of the investment
2 will be more transparent to the customer and to the Commission.

3 **Q. DO THE CAPITAL RECOVERY RIDERS BENEFIT THE CUSTOMERS?**

4 A. Yes. The QIIP, the EDI and the SEC Riders are mutually beneficial to the ratepayers, the
5 public, and TAWC. The Qualified Infrastructure Program Rider, the Economic
6 Development Investment Rider, and the Safety and Environmental Compliance Rider, in
7 part, reduce the need for general rate cases, lessen the occurrence of consumer “rate shock,”
8 support the maintenance and improvement of essential infrastructure, support opportunities
9 for successful economic development, growth and job creation, ensure safety and
10 reliability, and allow for more efficient, streamlined regulation. The ratepayers and the
11 public benefit from the safety and reliability components and from the more seamless and
12 timely capital investment in infrastructure, coupled with the related support to economic
13 development, growth and job creation. The Company benefits from a more efficient,
14 streamlined regulatory process that presents TAWC with the opportunity to timely recover
15 its expenses and earn a fair rate of return on its investments.

16 **Q. YOU MENTIONED THAT THE COMPANY BENEFITS FROM THE RIDERS**
17 **BECAUSE THE RIDERS PROVIDE THE COMPANY WITH THE**
18 **OPPORTUNITY TO TIMELY RECOVER ITS EXPENSES AND EARN A FAIR**
19 **RATE OF RETURN ON ITS INVESTMENTS. CAN YOU ELABORATE ON**
20 **THIS?**

21 A. Certainly. The Capital Recovery Riders permit TAWC to recover the cost of capital
22 investment between rate cases in an efficient, streamlined regulatory process. As outlined
23 in my testimony here, each year Tennessee American estimates or forecasts the amount of

1 qualified capital investment (QIIP), infrastructure investment and eligible expenses (EDI)
2 and safety and environmental compliance investment and eligible expense (SEC) that it
3 expects to spend for the upcoming calendar year. The Company will then calculate what
4 it costs to recover the expenditures associated with such forecasted capital investment and
5 expenses. For example, if the Company were to invest \$1 million dollars on a QIIP project
6 in the forecast year, the Company would not recover that entire \$1 million that year.
7 Rather, it will only recover a return on that investment (which includes a weighted return
8 on equity and interest on debt as authorized in the most recent rate case), as well as
9 depreciation expense and taxes. After it calculates what it costs to recover the expenditures
10 associated with the forecasted capital investment and expenses, Tennessee American then
11 determines – through a second calculation – the percentage of the costs to recover those
12 expenditures as an amount of the overall revenue authorized in the last rate case. This is
13 the surcharge amount. The surcharge then represents recovery for the costs to support the
14 capital investments. So, under the Capital Recovery Rider tariffs as approved, the monthly
15 surcharge over 12 months in the forecasted year would represent the annual recovery of
16 the cost to support the capital investment.

17 The Reconciliation of the Capital Recovery Riders protects both the customers and
18 Tennessee American in that it reviews the construction efforts to ensure projects are being
19 completed as forecasted and determines if revenues are being collected as forecasted. It
20 essentially allows for a true-up at the end of the 12-month period.

21 **Q. BEFORE THE TPUC APPROVED THE CAPITAL RECOVERY RIDERS, WHAT**
22 **PROCESS DID TAWC USE TO RECOVER THE EXPENSES ASSOCIATED**

1 **WITH CAPITAL INVESTMENT AND HAVE THE OPPORTUNITY TO EARN A**
2 **FAIR RETURN?**

3 A. Regulated utilities cannot increase their rates in Tennessee without approval of the TPUC,
4 which prior to the passage of the alternative regulation statute required a full rate case
5 filing. So, TAWC employed rate cases for appropriate recovery.

6 **Q. IS THERE A DRAWBACK TO RATE CASES?**

7 A. In part, this goes back to my earlier testimony concerning the benefits of the Capital
8 Recovery Riders to the public. Further, regulated utilities continue to invest money in
9 infrastructure (utility plant) and expenses may continue to increase in between rate cases.
10 This “regulatory lag” lessens the opportunity for the Company to earn its authorized return
11 on equity.

12 **Q. CAN YOU EXPLAIN THE CALCULATION OF THE CAPITAL RECOVERY**
13 **RIDERS?**

14 A. Certainly. As set forth in the approved tariffs, all three Capital Recovery Riders are
15 established on an annual prospective basis utilizing average end-of-month balances and
16 should reflect only those qualified plant additions installed after the conclusion of the initial
17 rate year in Docket No. 12-00049. Consistent with the tariffs, the qualified plant additions
18 are reduced by the projected retirements associated with the Capital Recovery Riders
19 additions in the calculation of applicable depreciation and property tax expense. As
20 discussed earlier in my testimony, the EDI and SEC Riders can be increased by the
21 appropriate operating expenses. However, TAWC has not included any operating expenses
22 for the EDI or SEC riders in this Petition. In this case, Tennessee American is proposing

1 to reconcile the review period for each of the Capital Recovery Riders beginning on
2 January 1, 2017 and ending December 31, 2017.

3 This annual review period was established originally in the tariffs submitted on
4 March 25, 2014, and approved in Docket No. 13-00130 on April 14, 2014. The tariffs
5 establish a reconciliation period for each of the Capital Recovery Riders, which will occur
6 60 days after the close of the attrition period. The attrition period in Docket No. 13-00130
7 was for January 1, 2014 through December 31, 2014, and the first reconciliation occurred
8 in Docket No. 15-00029. The attrition periods were to occur in subsequent 12-month
9 periods after Docket No. 13-00130. As this is the fourth reconciliation filing, this Petition
10 addresses only the third review period of January 1, 2017 through December 31, 2017.
11 The 2018 Capital Recovery Riders rates are the subject of Docket. 17-00124 and not
12 included in this Petition.

13 As approved, the Capital Recovery Riders are cumulative and remain in place until
14 reset back to zero at the conclusion of the Company's next rate case filing, at which point
15 the capital costs, depreciation and taxes, and other operating expenses approved and
16 previously recovered through the Capital Recovery Riders are then subsumed within Base
17 Rates.

18 **Q. ARE THE RECONCILIATION PORTIONS OF THE SURCHARGE AMOUNT**
19 **ALSO CUMULATIVE?**

20 A. No. In the filing in Docket No. 17-00124, Tennessee American utilized the actual 2014,
21 2015 and 2016 amounts of plant additions. The reconciliation period is only for 2017, and
22 includes four components: 1) the comparison of actual 2017 plant additions to the amount
23 forecasted; 2) the comparison of revenues authorized in 2017 with the revenues actually

1 collected from customers; 3) an earnings adjustment based on a comparison of 2017
2 earnings with the authorized earnings from Docket No. 12-00049; and 4) interest on the
3 difference.

4 **Q. CAN YOU DISCUSS DETAILED SPECIFICS TO THE OPERATION OF THE**
5 **CAPITAL RECOVERY RIDERS NOT ADDRESSED ABOVE?**

6 A. Yes. TAWC utilizes an annual prospective approach to the utility plant additions that
7 qualify for recovery through the Capital Recovery Riders. The Capital Recovery Riders
8 provide for the recovery of revenue sufficient to cover the capital cost, depreciation and
9 tax expense related to the projected investment in qualified utility plant. These costs
10 consider the effects of associated retirements (“Net Plant”), CIAC, and Cost of Removal
11 Spending net of Salvage value for the attrition period. To determine the rate of return
12 recovery, an average of the month-end balances of new utility plant in service is averaged
13 calculated, less $\frac{1}{2}$ of the anticipated annual associated CIAC, plus $\frac{1}{2}$ of the anticipated
14 annual associated cost of removal net of salvage spending, to derive the “Net Plant”
15 amount. As discussed in Docket No. 16-00022, in the first year TAWC used a 12-month
16 average to calculate the Capital Recovery Riders, representing all of the activity within the
17 12 months of the attrition period. Beginning in the second year, TAWC used a 13-month
18 average from the end of the previous year through the end of the attrition period. The
19 current approved pre-tax rate of return (“PTR”) is applied to this net amount to determine
20 the revenue requirement of the rate base portion. The PTR is calculated from the weighted
21 common equity and preferred equity, grossed up to include state and federal taxes, plus the
22 weighted cost of long-term debt and the weighted cost of short-term debt. Next, the annual
23 depreciation expense of the additional Net Plant is calculated (“NetDep”), utilizing the

1 current TPUC approved depreciation rates by account and then added. From there,
2 incremental new property and Franchise taxes (“PFT”) is added. For the EDI Rider and
3 SEC Rider, additional operating expenses would be added as appropriate. The sum of these
4 components are grossed up to include the recovery of the associated additional Gross
5 Receipts taxes, Uncollectible expense, and forfeited discounts (“RT”) to derive the final
6 revenue requirement. Then, any over or under Capital Recovery Riders collection of prior
7 periods would be added or subtracted as applicable (“R”). The purpose of this Petition
8 specifically is to address the over or under Capital Recovery Riders collection for the
9 review period of 2017. This total is then divided by the authorized annual level of general
10 metered service and private fire service customer revenues (“PAR”) from the prior docket
11 (Docket No. 12-00049), i.e. not including any other revenues, to render each of the new
12 Capital Recovery Rider percentages.

13 **Q. HAVE YOU INCLUDED THE CALCULATION OF THE THREE CAPITAL**
14 **RECOVERY RIDERS IN THE PETITION?**

15 A. Yes. I have attached an exhibit that reflects the calculation of each of the three Capital
16 Recovery Riders reconciliation percentage individually and in total. The calculation of the
17 reconciliation percentage for each rider is attached to my testimony as **Petitioner’s Exhibit**
18 **-- Capital Riders Reconciliation - LCB**. The detailed calculations are attached in to the
19 Petition in the workpapers. The calculations are consistent with the calculations that were
20 made in the approved tariffs in Docket No. 13-00130, Docket No. 14-00121, Docket No.
21 15-00111, Docket No. 16-00126 and 17-00124, as well as the reconciliations of Docket
22 No. 15-00029, Docket No. 16-00022 and Docket No. 17-00020. Further, to assist in the
23 streamlined regulatory process, TAWC is including with the Petition its detailed work-

1 papers supporting the calculation of the three Capital Recovery Riders. Again, these work-
2 papers are consistent with the calculations made to support the approved tariffs in Docket
3 No. 13-00130, Docket No. 14-00121, Docket No. 15-00111, Docket No. 16-00126 and
4 again in Docket No. 17-00124. The workpapers are also consistent with the calculations
5 made to support the reconciliations in TPUC Docket No. 15-00029, TPUC Docket No. 16-
6 00022, and TPUC Docket No. 17-00020.

7 **Q. HAS TAWC INCLUDED DETAILED INFORMATION REGARDING THE**
8 **PROJECTS THAT MAKE UP EACH OF THE PROPOSED CAPITAL**
9 **RECOVERY RIDERS?**

10 A. Yes. Company Witness Brent O'Neill will discuss the details regarding capital
11 expenditures included in the QIIP, EDI and SEC Riders for 2017.

12 **Q. HOW ARE THE QIIP, EDI, AND SEC RIDER REVENUES RECOVERED?**

13 A. The QIIP, EDI and SEC Riders are expressed as a percentage. The current tariff Ninth
14 Revised Sheet No. 12 – Riders – 1 is attached to my testimony as **Petitioner's Exhibit --**
15 **Current Tariff Sheet No. 12 – Riders – LCB**, and the proposed tariff sheet Twelfth
16 Revised Sheet No. 12 – Riders - 1 is attached to my testimony as **Petitioner's Exhibit --**
17 **Proposed Sheet No. 12 – Riders – LCB**. They are each applied to the total amount billed
18 to each customer under the otherwise applicable rates and charges for basic service,
19 metered usage charges, and private fire charges, and are applied prior to the inclusion of
20 any other taxes, charges, or surcharges. All three Capital Recovery Riders are combined
21 into one line item on the bill of each customer along with the reconciliation amounts.

1 **Q. HAS TAWC INCLUDED A CHART SHOWING THE PROGRESSION OF THE**
2 **APPROVED RIDERS IN EACH DOCKET SINCE THE LAST RATE CASE?**

3 A. Yes. I have included a chart reflecting each of the annual approvals with its filing. This is
4 shown as **Petitioner's Exhibit – Annual Approved Tariffs – LCB.**

5
6 **Q. WHAT WILL HAPPEN TO THE CAPITAL RECOVERY RIDERS UPON**
7 **APPROVAL OF NEW RATES IN A RATE CASE PROCEEDING?**

8 A. The QIIP, EDI, and SEC Riders will all be reset to zero as of the effective date of the new
9 Base Rates, which Base Rates then provide for the recovery of the annual costs that had
10 theretofore been recovered through the Capital Recovery Riders. Thereafter, and
11 consistent with the tariffs, only the new QIIP, EDI, and SEC Rider qualified plant additions
12 and expenses not previously included in rate base and Base Rates will be reflected in the
13 future filings subject to TPUC Approval.

14 **Q. WHAT COST OF CAPITAL IS UTILIZED IN THE FORMULA OF THE**
15 **CAPITAL RECOVERY RIDERS?**

16 A. The cost of capital is the established rate of return (on a pre-tax basis) in the Company's
17 immediately preceding Base Rate case Order, currently TPUC Docket No. 12-00049.

18 **Q. WHAT DEPRECIATION RATES ARE USED TO DETERMINE THE**
19 **DEPRECIATION EXPENSE RECOVERED BY THE QIIP, EDI AND SEC**
20 **RIDERS?**

21 A. The depreciation rates last approved by the TPUC in Docket 12-00049 for the respective
22 plant accounts in which the specific items of qualified infrastructure under each rider are
23 recorded are the depreciation rates used to determine the depreciation expense. New
24 depreciation rates would be used only after depreciation rates are changed during a general

rate proceeding. These are the rates that were used in Docket Nos. 13-00130, 14-00121, 15-00029, 15-00111, 16-00022, 16-00126, 17-00020 and 17-00124.

Q. WHAT PROPERTY TAX RATE IS USED TO DETERMINE THE PROPERTY TAX EXPENSE RELATED TO THE ADDITIONAL INVESTMENT TO BE RECOVERED BY THE QIIP, EDI AND SEC RIDERS?

A. The property tax rate is based on the proportion of property taxes authorized in Docket No. 12-00049 to the utility plant in service, multiplied by the additional utility plant less retirements. This is the same rate used in Docket Nos. 13-00130, 14-00121, 15-00029, 15-00111, 16-00022, 16-00126, 17-00020, and 17-00124.

Q. HOW ARE ANNUAL REVENUES DETERMINED FOR THE QIIP, EDI AND SEC RIDERS?

A. The projected annual revenues will be the authorized water services revenues from the last case, Docket No. 12-00049, including all service charges and volumetric charges for all classes that are subject to the Capital Recovery Riders. These are the same annual revenues used in Docket Nos. 13-00130, 14-00121, 15-00029, 15-00111, 16-00022, 16-00126, 17-00020 and 17-00124.

Q. HAS TENNESSEE AMERICAN INCLUDED ANY OPERATING EXPENSES IN THE CURRENTLY PROPOSED EDI RIDER OTHER THAN THE DEPRECIATION AND TAX EXPENSES?

A. No. In the tariffs approved in Docket No. 13-00130, TAWC included expenses related to specific economic development within the community as a component of the EDI Rider and operating expenses related to specific investment in the SEC Rider. However, in Docket No. 14-00121, the operating expenses related specifically to TAWC contributions

1 to economic development agencies were not approved by the TPUC. In that same Docket,
2 TAWC removed proposed SEC Rider operating expenses, as those expenses would be
3 captured in the PCOP. Other types of operating expenses related to economic development
4 or the SEC Rider are not included in this current Petition, but TAWC will continue to
5 review and evaluate potential and appropriate operating expenses for the EDI and SEC
6 Riders and submit them for consideration as appropriate.

7 **Q. HAS TENNESSEE AMERICAN INCLUDED ANY OPERATING EXPENSES IN**
8 **THE CURRENTLY PROPOSED SEC RIDER OTHER THAN THE**
9 **DEPRECIATION AND TAX EXPENSES?**

10 A. No.

11 **Q. DID THE AMOUNT OF INVESTMENT RIDER REVENUES COLLECTED**
12 **FROM TENNESSEE AMERICAN'S CUSTOMERS VARY FROM THE ACTUAL**
13 **AMOUNT OF REVENUE NEEDED TO COVER A RETURN OF AND A RETURN**
14 **ON THE COMPANY'S QIIP, EDI AND SEC INFRASTRUCTURE INVESTMENT**
15 **AND TAXES?**

16 A. Yes. There were three things that varied during 2017. First, there was a difference between
17 the actual and the allowed water operating revenues upon which the Capital Recovery
18 Riders are based. Second, the Plant Additions for 2017 were actually greater than
19 projected. Third, the 2017 Capital Recovery Riders and the 2017 Reconciliation of the
20 Capital Recovery Riders, as authorized, were applied over a shorter duration than originally
21 proposed in the tariffs.

1 Q. **CAN YOU EXPLAIN THE DIFFERENCE BETWEEN THE ACTUAL AND**
2 **ALLOWED WATER OPERATING REVENUES UPON WHICH THE CAPITAL**
3 **RECOVERY RIDERS ARE BASED?**

4 A. Yes. The projected annual revenues were calculated based on the authorized amount of
5 sales in Docket No. 12-00049. The overall sales in 2017 were less than the amount
6 authorized in Docket No. 12-00049 and is due primarily to declining customer usage and
7 the loss of two Sales for Resale customers. Therefore, the Capital Recovery Riders, which
8 are a percentage of water charges, were less than authorized. What this means in practical
9 terms is that there were less water sales to apply the percentage to, resulting in less actual
10 revenues billed for the Capital Recovery Riders than were authorized.

11 Q. **WHY WERE THE CAPITAL EXPENDITURES FOR 2017 GREATER THAN**
12 **PROJECTED?**

13 A. Mr. O'Neill discusses the management of the 2017 Capital Expenditures Plan in detail.
14 There was no single project that created the variance, but a series of project that were all
15 appropriately approved and modified throughout 2017.

16 Q. **CAN YOU EXPLAIN HOW THE 2017 CAPITAL RECOVERY RIDERS AND THE**
17 **2017 RECONCILIATION OF THE CAPITAL RECOVERY RIDERS OVER A**
18 **SHORTER DURATION IMPACTED THE REVENUES COLLECTED?**

19 A. Yes. The authorized surcharge amount was proposed based on revenues collected over
20 2017. For the 2017 Capital Recovery Riders, this was proposed assuming the entire
21 calendar year, but the 2017 Capital Recovery Riders had an effective date of March 14,
22 2017. The surcharge amount did not change, but was simply applied for a shorter duration
23 than originally proposed. This reduced the overall amount of revenues collected. What

1 this means in practical terms is that there were less actual water revenues to apply the
2 Capital Recovery Riders to than originally proposed.

3 Additionally, the 2017 Capital Recovery Riders Reconciliation in Docket No. 17-
4 00020 assumed a recovery from April 1, 2017 through December 31, 2017. However, the
5 effective date of the 2017 Capital Recovery Riders Reconciliation was August 15, 2017
6 and it ended December 31, 2017. This further reduced the overall amount of the revenues
7 collected in 2017.

8 **Q. AS A REGULATORY SAFEGUARD TO CONSUMERS AND TO SERVE THE**
9 **PUBLIC INTEREST, DOES EACH OF THE CAPITAL RECOVERY RIDERS**
10 **INCLUDE A RECONCILIATION MECHANISM IN THE EVENT THAT THE**
11 **LEVEL OF INVESTMENT, EXPENSE, OR REVENUE APPROVED VARIES**
12 **FROM THE ACTUAL COSTS?**

13 A. Yes. As discussed earlier, the QIIP, EDI and SEC Riders are all subject to an annual
14 reconciliation or true-up in which the revenue received under each of the Capital Recovery
15 Riders for the reconciliation period will be compared to the revenue necessary for the
16 Company to recover its return of and return on investment plus taxes, for that QIIP, EDI
17 and SEC Rider year. As I stated earlier, this Petition is only for the reconciliation to the
18 2017 QIIP, EDI and SEC. The 2018 proposed QIIP, EDI and SEC riders are included as
19 Docket No. 17-00124 and are not included in this Petition.

20 **Q. HOW DOES THE RECONCILIATION WORK?**

21 A. Consistent with the approved tariffs, Tennessee American has filed a reconciliation for all
22 three Capital Recovery Riders no later by March 1, 2018. There are actually two steps to
23 the reconciliation. The first is an adjustment for budget to actual investment. This is a

1 regulatory oversight and public interest component of the mechanism that results in a true-
2 up if the investment does not occur (up or down) as forecasted. The second is an adjustment
3 for the over or under recovery of revenues as projected, including interest. This is another
4 regulatory oversight and public interest component of the mechanism. In this way, the
5 consumers are protected from paying too much if sales exceed the amount authorized in
6 the previous rate case proceeding. This could occur if there is a significant amount of
7 customer growth, or if dry and hot conditions occur in any given year. This second
8 adjustment also allows TAWC to adjust if sales are less than the amount authorized in the
9 last case, as could occur with declining usage that TAWC has experienced in recent years.
10 The reconciliation percentage, pending approval by April 1, 2018, as contemplated in the
11 tariffs, will be applied to customer bills for 9 months in 2018.

12 Finally, there is also a consumer safeguard in the reconciliation process that reviews
13 the earnings for Tennessee American during the attrition period. If it is determined that
14 Tennessee American earned a rate of return above the authorized amount from the previous
15 rate case during the attrition period, the amount above the authorized is applied as an
16 adjustment to the customers, with interest. This could occur if sales exceed the amount
17 authorized in the previous rate case due to significantly hot and dry conditions, as were
18 experienced in 2016.

19 **Q. WHAT ARE THE RESULTS FOR THE FIRST ADJUSTMENT OF THE ACTUAL**
20 **COMPARED TO THE BUDGET?**

21 A. The amount of actual in-service capital investment was higher than the projected levels in
22 Docket No. 16-00126. This is shown on the **Petitioner's Exhibit -- Capital Riders**
23 **Reconciliation – LCB** attached to my testimony at Line 1. This is due primarily to TAWC

1 spending more in its overall capital expenditures in 2017 as discussed in Mr. O'Neill's
2 testimony. As demonstrated in the exhibit, TAWC had an average balance of plant
3 additions of \$50,561,748 in service under the capital recovery riders, compared to
4 \$48,865,346 budgeted. Additionally, the cost of removal and depreciation expenses were
5 actually more than projected in the riders in Docket No. 16-00126. So overall, the amount
6 of the revenue requirement for these capital expenditures was more than originally
7 projected in the riders. As shown on Line 18 of the same exhibit, the Actual Revenues
8 Required was \$7,049,397 while the projected amount was \$6,568,493.

9 **Q. DID TENNESSEE AMERICAN COLLECT ALL OF THE REVENUES**
10 **AUTHORIZED FOR THE CAPITAL RECOVERY RIDERS SURCHARGES IN**
11 **2017 FROM DOCKET NO. 16-00126?**

12 A. No, it did not. That revenue difference is also included in this Petition filing.

13 **Q. DID TENNESSEE AMERICAN COLLECT ALL OF THE REVENUES**
14 **AUTHORIZED FOR THE CAPITAL RECOVERY RIDERS RECONCILIATION**
15 **COMPONENT IN 2017 FROM DOCKET NO. 17-00020?**

16 A. No, it did not. That revenue difference is also included in this Petition filing.

17 **Q. BASED ON THE SHORTER PERIOD FOR COLLECTIONS, AND THE LOWER**
18 **THAN EXPECTED WATER SALES, WHAT ARE THE RESULTS FOR THE**
19 **SECOND ADJUSTMENT FOR OVER/UNDER REVENUE BILLINGS?**

20 A. The revenues billed were \$6,222,731, or \$345,762 less than the authorized amount. This
21 is primarily for three reasons. First, the Capital Recovery Riders were only in place nine
22 months and not a full year as proposed in the calculation of the amount of the Capital
23 Recovery Riders in Docket No. 16-00126. This was compounded in that the water sales

1 and revenues were less than the base amount authorized in Docket No. 12-00049.
2 Additionally, Tennessee American has lost two Sales for Resale customers since Docket
3 No. 12-00049. Third, the Capital Recovery Riders reconciliation component was only in
4 place 5 months and not the 9 months as proposed in the calculation in Docket No. 17-
5 00020.

6 **Q. WHAT PURPOSE DOES THE EARNINGS TEST ADJUSTMENT SERVE AS**
7 **PART OF THE TARIFF?**

8 A. As developed by the parties in TPUC Docket No. 13-00130, and as approved by the
9 Commission, the tariffs include a number of inherent safeguards and protections. For
10 instance, the oversight and safeguards set forth within the tariffs guard against the
11 occurrence of a rise of net operating income for TAWC as revenue requirements would
12 increase annually without a general rate case to review all revenues, expenses and
13 investment. This might occur, for instance, if there were an operational improvement that
14 reduced expenses or created additional income, drought conditions that result in
15 significantly higher water sales, or significant growth that leads to much higher water sales
16 and revenues. In order to provide for sufficient oversight, the Capital Recovery Riders
17 tariffs include an earnings test adjustment. The Earnings Test determines if the Company's
18 attained earnings for the review period exceed the earnings allowed for the Annual Review
19 Period by applying the overall rate of return authorized in the last rate case. If the earnings
20 attained exceed that amount, then the revenues will be reduced by that same amount, with
21 interest, referred to as the Earnings Test Adjustment.

1 **Q. DID TENNESSEE AMERICAN EARNINGS EXCEED THE AUTHORIZED**
2 **AMOUNT FROM DOCKET NO. 12-00049?**

3 A. Yes. Tennessee American earned a higher rate of return than the authorized 7.23% from
4 Docket No. 12-00049. Therefore, Tennessee American, consistent with the tariffs,
5 appropriately has included an earnings test adjustment in the filing.

6 **Q. CAN YOU EXPLAIN HOW TENNESSEE AMERICAN CALCULATED THE**
7 **EARNINGS TEST ADJUSTMENT?**

8 A. Yes, I can. Tennessee American used a straightforward approach. Each month, Tennessee
9 American files with the TPUC a monthly report regarding its monthly earnings, and 12-
10 month earnings. As of the end of December 2017, the 12-month earnings were 7.36%,
11 which is slightly above the authorized 7.23% from Docket No. 12-00049. Tennessee
12 American utilized the information provided in each monthly report, and calculated a rate
13 of return using a 13-month average of the rate base calculation as was utilized in Docket
14 No. 17-00020. This produced a slightly lower earning amount of 7.34%. Tennessee
15 American then calculated the amount of earnings that would reduce the amount to 7.23%
16 and included that amount as a reduction to the revenues required in the reconciliation.
17 Because the adjustment for the 2017 actual plant additions and actual 2017 revenues
18 collected resulted in an increase to the revenue requirement, the Earnings Test Adjustment
19 offsets that increase. This is reflected on Line 27 of **Petitioner's Exhibit – Capital Riders**
20 **Reconciliation – LCB**. The Earnings Test Adjustment is therefore not a separate refund
21 to customers but a reduction to the proposed reconciliation of revenues in this Petition.
22 The Earnings Test Adjustment results in an adjustment of \$185,720 reduction to the
23 reconciliation revenues.

1 **Q. DO YOU BELIEVE THAT THIS ADJUSTMENT INDICATES THAT THE**
2 **CAPITAL RECOVERY RIDERS ARE NO LONGER IN THE BEST INTEREST**
3 **OF THE CUSTOMERS?**

4 A. Not at all. In fact, I believe that the Earnings Test Adjustment for 2017 demonstrates the
5 exact opposite. 2016 was an extremely unusual weather year with the Chattanooga area
6 experiencing severe drought conditions. Like with all water utilities, this will lead to above
7 normal water sales, and thus increased earnings. 2016 was therefore the first time that the
8 Earnings Test Adjustment had been applied in Docket No. 17-00020. 2017 was an example
9 of TAWC managing expenses despite lower sales, resulting in a slight adjustment from the
10 Earnings Test. TAWC has been able to drive efficiencies into its operations, which is
11 providing an overall immediate benefit to the customers through the Earnings Test
12 Adjustment. Due to the inclusion of safeguards in the Capital Recovery Riders
13 mechanisms, the amount of the increased earnings will be timely returned to the consumers.

14 **Q. IS THE RECONCILIATION OF 2014 CAPITAL RECOVERY RIDERS, WHICH**
15 **WAS AUTHORIZED IN DOCKET NO. 15-00029, INCLUDED IN THIS FILING?**

16 A. Only in part. As I stated earlier, 2014 actual plant additions were used in the calculation
17 of the Capital Recovery Riders in Docket No. 15-00111, Docket No. 16-00126 and in the
18 currently pending 2018 Capital Recovery Riders in Docket No. 17-00124. This means that
19 the first adjustment in the 2014 reconciliation of the Capital Recovery Riders, of budgeted
20 plant additions to actual plant additions, does not roll forward. To the extent that the 2014
21 revenues varied from the authorized 2014 revenues, any remaining revenues amount that
22 were not fully collected in 2015, rolled forward into the 2016 reconciliation. Likewise, in

1 future reconciliations, any refunds that may need to be made that are not completed will
2 carry forward into the following reconciliation.

3 **Q. IS THE RECONCILIATION OF 2015 CAPITAL RECOVERY RIDERS, WHICH**
4 **WAS AUTHORIZED IN DOCKET NO. 16-00022, INCLUDED IN THIS FILING?**

5 A. As with the 2014 actual plant additions, the 2015 actual plant additions were used in the
6 calculation in Docket No. 16-00126 and in the currently pending 2018 Capital Recovery
7 Riders in Docket No. 17-00124. By doing this, the only amount of plant additions to
8 reconcile in this Petition are the 2017 actual plant additions. Again, to the extent that the
9 2015 revenues varied from the authorized 2015 revenues, any remaining revenues that were
10 not fully collected in 2016 rolled into 2017 and are a part of this reconciliation.

11 **Q. IS THE RECONCILIATION OF 2016 CAPITAL RECOVERY RIDERS, WHICH**
12 **WAS AUTHORIZED IN DOCKET NO. 17-00020, INCLUDED IN THIS FILING?**

13 A. As with the 2014 and 2015 actual plant additions, the 2016 actual plant additions were used
14 in the calculation in the currently pending 2018 Capital Recovery Riders in Docket No. 17-
15 00124. By doing this, the only amount of plant additions to reconcile in this Petition is the
16 2017 actual plant additions. Again, to the extent that the 2016 revenues varied from the
17 authorized 2016 revenues, any remaining revenues that were not fully collected in 2017
18 are a part of this reconciliation.

19 **Q. YOU ALSO INDICATED THAT TAWC HAS NOT FILED ANYTHING IN THIS**
20 **PETITION TO INCLUDE THE RECONCILIATION OF THE PRODUCTION**

1 **COSTS AND OTHER PASS-THROUGHS RIDER. WHY IS TAWC NOT**
2 **INCLUDING THE PCOP RECONCILIATION IN THIS PETITION?**

3 A. The PCOP differs from the Capital Recovery Riders, in that at the end of a year, it looks at
4 the historical period and compares the actual production expenses to the amount of
5 production expenses authorized in the previous rate case. It then applies an adjustment
6 over the next year to account for any differences between the two amounts, either over or
7 under the authorized amount. The first review period for the approved PCOP analyzed the
8 amount of production expenses in the attrition year from the previous rate case, which was
9 December 1, 2012 to November 30, 2013 compared to the actual amount of production
10 expenses that occurred between December 1, 2012 and November 30, 2013. The expenses
11 in the attrition period were actually less than authorized in the case, so under the approved
12 PCOP TAWC applied a credit adjustment to customers.

13 The subsequent period approved for review in the tariff is defined as the twelve months
14 subsequent to the attrition period, and every twelve-month period after that. Docket No.
15 15-00001 looked at the review period for the PCOP from December 1, 2013 through
16 November 30, 2014. Docket No. 15-00131 looked at the review period for the PCOP from
17 December 1, 2014 through November 30, 2015. Docket No. 16-00148 looked at the period
18 for the PCOP will be December 1, 2015 through November 30, 2016. Docket No. 18-
19 00009 is reviewing the period for the PCOP from December 1, 2016 through November
20 30, 2017.

21 **Q. DOES THE PCOP HAVE A TWO-STEP RECONCILIATION PROCESS?**

22 A. Yes. Similar to the Capital Recovery Riders, the PCOP reconciliation has 1) a
23 reconciliation of the actual expenses in the historical review period to the authorized levels

1 in the previous rate case; and 2) a reconciliation of the implementation of the PCOP during
2 that same historical review period. In Docket No. 15-00001, the TPUC approved a single
3 reconciliation of the PCOP.

4 **Q. WHAT IS THE STATUS OF THE PCOP RECONCILIATION?**

5 A. TAWC filed the reconciliation on the PCOP Rider on January 15, 2018. New PCOP rates
6 are pending in Docket No. 18-00009.

7 **Q. HAVE YOU READ THE PRE-FILED TESTIMONY OF THE CPAD'S WITNESS**
8 **MR. DAVID N. DITTEMORE IN DOCKET NO. 17-00124?**

9 A. Yes, I have.

10 **Q. HAS TAWC INCLUDED BONUS DEPRECIATION CALCULATION IN THIS**
11 **RECONCILIATION?**

12 A. No, we have not. As I indicated in my rebuttal testimony in Docket No. 17-00124, TAWC
13 does not agree with the CPAD's position regarding bonus depreciation. Nonetheless, a
14 reconciliation docket is the more appropriate forum within which to resolve this issue on
15 which both the CPAD and TAWC disagree.

16 **Q. WHAT IS THE PROPOSED ADJUSTED QIIP RIDER?**

17 A. TAWC is proposing a QIIP Rider that results in a total revenue recovery of \$876,859 for
18 nine months of 2018 year or a surcharge of 2.484%.

19 **Q. HAS TENNESSEE AMERICAN FILED A TARIFF ADDRESSING THE**
20 **PROPOSED QIIP RIDER?**

21 A. Yes. A new tariff Twelfth Revised Sheet No. 12 – Riders – 1 reflects all three Capital
22 Recovery Riders and is attached to my testimony as **Petitioner's Exhibit -- Proposed**
23 **Sheet No. 12- Riders - LCB.**

1 **Q. WHAT IS THE PROPOSED EDI RIDER?**

2 A. TAWC is proposing an EDI Rider that results in a total revenue recovery of (\$18,855) for
3 nine months of 2018 year or a surcharge of -0.053%. Again, this is shown on the new tariff
4 Twelfth Revised Sheet No. 12 – Riders – 1 which reflects all three Capital Recovery Riders
5 and is attached to my testimony as **Petitioner’s Exhibit -- Proposed Sheet No. 12- Riders**
6 **- LCB.**

7 **Q. WHAT IS PROPOSED SEC RIDER?**

8 A. TAWC is proposing an SEC Rider that results in a total revenue recovery of (\$20,773) for
9 nine months of 2018 year or a surcharge of -0.059%. Again, this is shown on the new tariff
10 Twelfth Revised Sheet No. 12 – Riders – 1 which reflects all three Capital Recovery Riders
11 and is attached to my testimony as **Petitioner’s Exhibit -- Proposed Sheet No. 12- Riders**
12 **- LCB.** The sum of the three riders is an increase of 2.372% on the current base bill.

13 **Q. WHAT IS THE IMPACT TO THE AVERAGE CUSTOMER BILL?**

14 A. The typical residential customer living in the City of Chattanooga, and using an average of
15 4,154 gallons per month will see an increase in their bill of \$0.52 per month, or \$4.68 in
16 2018.

17 I am also providing a table reflecting the detailed changes for each Capital Recovery Rider,
18 including the reconciliations. This is attached to my testimony as **Petitioner’s Exhibit –**
19 **Annual Approved Tariffs – LCB.**

20 **Q. WHAT INFORMATION IS REQUIRED IN THE TARIFF TO BE INCLUDED IN**
21 **THE ANNUAL RECONCILIATION FILING?**

22 A. Each tariff states that the Company will include in its Annual Reconciliation Filing the
23 following information at a minimum: (a) a schedule of all journal entries made related to

1 this Rider for the Annual Review Period, including any related general ledger support, (b)
2 actual billing determinants by month as used in the computation of the Total Collected
3 from Customers for the Annual Review Period, (c) capitalization policy effective for the
4 Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage
5 Rate, including the detailed calculation of each component, (e) schedules of the Actual
6 Investment Amount and Actual Operational Expense, including related general ledger
7 support, (f) a schedule of any proposed prior period adjustments, (g) an affirmative
8 statement of whether the Company is aware of any changes in market conditions or other
9 factors that may affect whether the Rider is still in the public interest, including the
10 identification of such factors if they exist, and (h) the cumulative amount collected from
11 customers.

12 **Q. HAS TAWC PROVIDED THE INFORMATION IN THIS PETITION FILING**
13 **THAT IS REQUIRED FOR THE QIIP, EDI AND SEC TARIFFS?**

14 A. Yes. In order to provide this information, (a) TAWC has provided in the workpapers all
15 of the general ledger transactions for all of the capital expenditures in the capital recovery
16 riders; (b) TAWC has provided the billing determinants by month from January 2017 to
17 December 2017 in the workpapers; (c) a copy of the capitalization policy effective for the
18 Annual Review Period was filed in Docket No. 15-00029 and has not been revised since
19 that filing and is referenced; (d) TAWC has provided a computation of the Annual
20 Reconciliation Factor Percentage Rate attached as **Petitioner's Exhibit -- Capital Riders**
21 **Reconciliation – LCB** and has provided the detailed calculation of each component in the
22 workpapers along with an explanation of the workpaper calculation; (e) TAWC has
23 provided schedules of the Actual Investment Amount including the detailed general ledger

1 support for each of the riders in the workpapers however there were no Actual Operational
2 Expenses in 2017; (f) TAWC has not included any proposed prior period adjustments other
3 than removing items in 2017 for the EDI rider consistent with the Orders in Docket No.
4 14-00121 and Docket No. 15-00029; (g) I discuss whether the Company is aware of any
5 changes in market conditions or other factors that may affect whether the Rider is still in
6 the public interest, including the identification of such factors if they exist; and (h) TAWC
7 has provided the cumulative amount collected from customers on the **Petitioner's Exhibit**
8 **-- Capital Riders Reconciliation – LCB** along with the detailed information of the amount
9 of revenues collected from customers for each of the capital recovery riders in the
10 workpapers.

11 **Q. HAS TENNESSEE AMERICAN PROVIDED INVOICES FOR ALL OF THE**
12 **CAPITAL EXPENDITURES INCLUDED IN THE CAPITAL RECOVERY**
13 **RIDERS?**

14 A. No. TAWC has provided the detailed general ledger information for all transactions on all
15 projects in the workpapers, and summarized the type of expenses for each rider in
16 **Petitioner's Exhibit -- Capital Rider Charges Summary -- LCB**. Although individual
17 invoices are available for some contract services under some projects, TAWC uses a
18 purchase order system under blanket contracts that provides for billing for multiple projects
19 on one invoice. Further, TAWC uses purchase orders for materials, bringing materials in
20 and out of stock inventory on an average cost basis. Some material held in inventory may
21 have been purchased in previous years and tracing those items to specific invoices or
22 purchase order receipts will be extremely challenging. Finally, invoices for all projects
23 would result in an extremely large filing that may contain more information than is feasible

1 to review. TAWC has provided a summary of the work order detail of expenses in
2 **Petitioner's Exhibit -- Work Order Detail Summary – LCB.** TAWC has filed this
3 similar to Docket No. 16-00022 and 17-00020, and fully anticipates filing sample
4 documentation during the discovery process. It is important to develop a technique or
5 process that provides adequate levels of assurance that TAWC continues to implement its
6 construction program in the most cost effective manner for its customers while not
7 developing a technique or process that becomes overwhelming or inefficient for all parties
8 involved in the reconciliation process.

9 **Q. IS THE COMPANY AWARE OF ANY CHANGES IN MARKET CONDITIONS**
10 **OR OTHER FACTORS THAT MAY AFFECT WHETHER THE QIIP RIDER,**
11 **THE EDI RIDER AND THE SEC RIDER ARE STILL IN THE PUBLIC**
12 **INTEREST?**

13 A. No, the Company is not aware of any changes in market conditions or other factors that
14 affect whether the QIIP Rider, the EDI Rider and the SEC Rider are still in the public
15 interest. Tennessee American believes that the QIIP Rider, the EDI Rider and the SEC
16 Rider are all still in the public interest. Tennessee American understands that the purpose
17 of the legislation was, in part, to encourage an increase in certain types of infrastructure
18 investment and recovery by utilities, while reducing the costs to consumers and utilities for
19 regulatory review and implementation, and promoting rate gradualism for consumers. The
20 market conditions are consistent with the conditions at the time that the Capital Recovery
21 Riders were approved, with a continued need to increase infrastructure replacement and
22 meet environmental compliance needs on a timely basis.

1 **Q. ARE THE QIIP RIDER, THE EDI RIDER AND THE SEC RIDER STILL IN THE**
2 **PUBLIC INTEREST?**

3 A. Yes. As I noted at the outset herein, and as outlined by TAWC in much detail and with
4 supporting documentation TPUC Docket No. 13-00130, the QIIP, the EDI and the SEC
5 Riders are mutually beneficial to the ratepayers, the public, and TAWC. Among other
6 things, the Capital Recovery Riders reduce the need for general rate cases, lessen the
7 occurrence of consumer “rate shock,” support the maintenance and improvement of
8 essential infrastructure, support opportunities for successful economic development,
9 growth and job creation, ensure safety and reliability, and allow for more efficient,
10 streamlined regulation. The ratepayers and the public benefit from the safety and reliability
11 components and from the more seamless and timely capital investment in infrastructure,
12 coupled with the related support to economic development, growth and job creation. The
13 Company benefits from a more efficient, streamlined regulatory process that presents
14 TAWC with the opportunity to timely recover its expenses and earn a fair rate of return on
15 its investments. Without the approved alternative rate mechanisms pursuant to Tenn. Code
16 Ann. Section 65-5-103 *et. seq.*, and specifically without the Capital Recovery Riders,
17 TAWC would be preparing another general rate case. Tennessee American understands
18 that the purpose of the new legislation — Tenn. Code Ann. § 65-5-103 *et. seq.*, — was, in
19 part, to encourage an increase in certain types of infrastructure investment and recovery by
20 utilities, while reducing the costs to consumers and utilities for regulatory review and
21 implementation, and promoting rate gradualism for consumers. TAWC believes the
22 approved Capital Recovery Riders are achieving that goals.

1 As reflected in the evidentiary record in TPUC Docket No. 13-00130, the US
2 Environmental Protection Agency and the American Society of Civil Engineers have
3 published reports regarding the significant capital needs for water and wastewater
4 infrastructure in the United States, including here in Tennessee. A substantial portion of
5 TAWC's distribution infrastructure is between 50 and 100 years old, and TAWC needs to
6 continue to invest in replacing its infrastructure in order to meet its obligation to provide
7 safe, reliable drinking water to its customers. The QIIP Rider is assisting TAWC in
8 responsibly and strategically addressing the systems' infrastructure replacement needs,
9 while helping to increase the time between rate cases and reducing the cost of rate cases to
10 its Customers. As testified to by Company Witness Brent O'Neill, TAWC has strategically
11 focused its efforts on mains with the highest maintenance concerns.

12 As reflected in the evidentiary record in TPUC Docket No. 14-00121, the presence of the
13 new Coca Cola facility in Chattanooga, along with the accompanying jobs and other
14 associated community and public benefits, shows that the EDI Rider is working as intended
15 by the Tennessee General Assembly. Moreover, the Company's cooperative and
16 coordinated efforts with the City of Chattanooga to timely address crucial safety, health
17 and reliability issues, including those identified in the US Environmental Protection
18 Agency's April 2013 Consent Decree issued to the City of Chattanooga requiring
19 improvements to the City's sanitary sewer system, demonstrates that the SEC Rider is
20 serving our Customers and the public interest as anticipated.

21 As it pledged to do when it first submitted the Capital Recovery Riders for review and
22 consideration by the agency in TPUC Docket No. 13-00130, TAWC has been able to
23 partner with the community to promote economic development, which we believe to be

1 consistent with Tenn. Code Ann. § 65-5-103 *et. seq.*, consistent with the approved QIIP
2 Rider, EDI Rider, and SEC Rider, and in the public interest. Under the Commission's
3 oversight and within the safeguards set forth in the approved tariffs, TAWC has been able
4 to increase infrastructure replacement and meet environmental compliance needs on a
5 timely basis, which we believe to be in the public interest.

6 **Q. WHAT DO YOU RECOMMEND WITH REGARD TO THIS PETITION?**

7 A. I recommend that the Petition be approved for the increase in the QIIP, EDI and SEC
8 Riders, effective April 1, 2018 through December 31, 2018.

9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 A. Yes. I reserve the ability to submit further testimony as is appropriate.

11 40915101.v1

Tennessee American Water Company
Qualified Infrastructure Improvement Program Rider (QIIP)
Economic Development Investment Rider (EDI)
Safety and Environmental Compliance Rider (SEC)
Reconciliation of the Calculation of Revenue Requirement
As of 12/31/2017

Line Number	Description	Qualified Infrastructure Investment Program QIIP Average YTD 12/31/2017			Economic Development Investment EDI Average YTD 12/31/2017			Safety and Environmental Compliance SEC Average YTD 12/31/2017			Total Average YTD 12/31/2017		
		Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
1	Additions Subject to Rider:	\$27,352,614	\$26,237,397	\$1,115,217	\$970,392	\$1,317,802	(\$347,411)	\$22,238,742	\$21,310,147	\$928,595	\$50,561,748	\$48,865,346	\$1,696,402
2	Plus: Cost of Removal less Salvage	3,474,587	2,626,547	848,039	933	12,427	(11,494)	2,167,754	2,290,674	(122,920)	5,643,273	4,929,648	713,626
3	Less: Contributions in Aid to Construction (CIAC)	1,165,514	0	1,165,514	8,114	0	8,114	0	0	0	1,173,628	0	1,173,628
4	Less: Deferred Income Taxes	223,094	376,816	(153,722)	15,980	24,268	(8,288)	377,775	413,906	(36,131)	616,849	814,989	(198,141)
5	Less: Accumulated Depreciation	960,760	646,329	314,431	22,703	24,172	(1,469)	802,818	735,691	67,128	1,786,282	1,406,192	380,090
6	Net Investment Supplied Additions:	<u>\$28,477,833</u>	<u>\$27,840,799</u>	<u>\$637,034</u>	<u>\$924,528</u>	<u>\$1,281,790</u>	<u>(\$357,262)</u>	<u>\$23,225,902</u>	<u>\$22,451,224</u>	<u>\$774,679</u>	<u>\$52,628,263</u>	<u>\$51,573,812</u>	<u>\$1,054,450</u>
7													
8	Pre-Tax Authorized Rate of Return:	9.45%	9.45%		9.45%	9.45%		9.45%	9.45%		9.45%	9.45%	
9	Pre-Tax Return on Additions:	<u>\$2,692,402</u>	<u>\$2,632,174</u>	<u>\$60,228</u>	<u>\$87,408</u>	<u>\$121,185</u>	<u>(\$33,777)</u>	<u>\$2,195,865</u>	<u>\$2,122,624</u>	<u>\$73,241</u>	<u>\$4,975,675</u>	<u>\$4,875,983</u>	<u>\$99,692</u>
10													
11	Depreciation Expense on Additions:	676,880	446,932	229,948	13,111	17,207	(4,095)	516,484	378,984	137,500	1,206,475	843,123	363,352
12													
13	Property and Franchise Taxes Associated:	<u>345,680</u>	<u>347,105</u>	<u>(1,424)</u>	<u>13,105</u>	<u>17,744</u>	<u>(4,639)</u>	<u>283,526</u>	<u>274,938</u>	<u>8,588</u>	<u>642,312</u>	<u>639,787</u>	<u>2,525</u>
14													
15	Revenues:	<u>3,714,962</u>	<u>3,426,211</u>	<u>288,751</u>	<u>113,625</u>	<u>156,135</u>	<u>(42,511)</u>	<u>2,995,875</u>	<u>2,776,546</u>	<u>219,329</u>	<u>6,824,462</u>	<u>6,358,893</u>	<u>465,569</u>
16													
17	Revenue Taxes	3.19%	3.19%		3.19%	3.19%		3.19%	3.19%		3.19%	3.19%	
18	Total Capital Riders Revenues with Revenue Taxes	<u>\$3,837,414</u>	<u>\$3,539,145</u>	<u>\$298,269</u>	<u>\$117,370</u>	<u>\$161,282</u>	<u>(\$43,912)</u>	<u>\$3,094,624</u>	<u>\$2,868,066</u>	<u>\$226,558</u>	<u>\$7,049,408</u>	<u>\$6,568,493</u>	<u>\$480,915</u>
19													
20													
21	Actual Capital Riders Revenues Billed		<u>\$3,447,254</u>			<u>\$124,638</u>			<u>\$2,650,838</u>			<u>\$6,222,731</u>	
22													
23	(Over)/Under Capital Riders Revenue Billings		91,891			36,644			217,228			345,763	
24	Budget to Actual Adjustment		298,269			(43,912)			226,558			480,915	
25	2016 Reconciliation Amount		622,513			(10,908)			(291,715)			319,890	
26	Private Fire Rate Adjustment Refund		(52,223)			3,456			(93,272)			(142,039)	
27	Earnings Test Adjustment		(102,885)			(3,720)			(79,115)			(185,720)	
28	Interest (Prime - 4.50%)		<u>19,295</u>			<u>(415)</u>			<u>(457)</u>			<u>18,423</u>	
29													
30	Reconciliation Amount		\$876,859			(\$18,855)			(\$20,773)			\$837,231	
31													
32	Authorized Capital Riders Revenues (9/12th)		\$35,305,293			\$35,305,293			\$35,305,293			\$35,305,293	
33													
34	Current Reconciliation Factor Percentage		2.484%			-0.053%			-0.059%			2.372%	
35													

Explanation:

Tennessee American Water has been authorized 3 capital riders based on a 13-month average of in-service capital projects in the forecasted period. The revenue requirement for each rider is calculated similar to how total ratebase is calculated by the Tennessee Regulatory Authority in a rate case. This table shows a comparison of the actual average over the reporting period to the proposed amount of each rider, and the total of the three.

*Taxes - From Docket #16-00126 which was approved on 6/2/2017.

Private Fire Rate Adjustment Refund - Under-billing for PF rate update from 2015

Earnings Test - Calculation methodology from Docket #17-00020 and amount from Earnings Test worksheet

Petitioner's Exhibit -- Capital Rider Charges Summary -- LCB
Page 1 of 1

Tennessee American Water Company
For 12 Months Ended December 31, 2017
2017 Capital Riders Reconciliation - Charge Detail Summary by Rider

Line	Rider	Charge Type	Additions	Removals	CIAC	Total
1	QIIP	Labor	\$ 929,464	\$ 169,082	\$ -	\$ 1,098,546
2		Labor Overhead	417,542	77,481	-	495,023
3		Licenses, Permits & Misc Fees	79,438	13,812	-	93,251
4		Materials & Supplies	635,580	54,220	-	689,800
5		Contracted Services	2,898,178	853,510	-	3,751,687
6		Other - Paving	-	-	-	-
7		Other	4,434,921	321,752	-	4,756,673
8		Overhead	971,183	148,488	-	1,119,671
9		Salvage Cash	-	(114,462)	-	(114,462)
10		Service Company Charges	4,438	-	-	4,438
11		CWIP Accrual	122,373	185	-	122,558
12		CIAC Taxable	-	-	(29,877)	(29,877)
13		CIAC Non-Taxable	-	-	(1,761,030)	(1,761,030)
14		AFUDC Debt	50,246	-	-	50,246
15		AFUDC Equity	46,453	-	-	46,453
16						
17	QIIP Total		\$ 10,589,816	\$ 1,524,068	\$ (1,790,907)	\$ 10,322,977
18						
19	EDI	Labor	\$ 4,179	\$ -	\$ -	\$ 4,179
20		Labor Overhead	1,553	-	-	1,553
21		Licenses, Permits & Misc Fees	(300)	-	-	(300)
22		Materials & Supplies	191,908	-	-	191,908
23		Contracted Services	47,238	-	-	47,238
24		Other - Paving	-	-	-	-
25		Other	79,612	-	-	79,612
26		Overhead	41,806	-	-	41,806
27		Salvage Cash	-	-	-	-
28		Service Company Charges	-	-	-	-
29		CWIP Accrual	39,377	-	-	39,377
30		CIAC Taxable	-	-	-	-
31		CIAC Non-Taxable	-	-	(18,500)	(18,500)
32		AFUDC Debt	1,566	-	-	1,566
33		AFUDC Equity	1,419	-	-	1,419
34						
35	EDI Total		\$ 408,356	\$ -	\$ (18,500)	\$ 389,856
36						
37	SEC	Labor	\$ 71,284	\$ 1,433	\$ -	\$ 72,717
38		Labor Overhead	29,452	569	-	30,020
39		Licenses, Permits & Misc Fees	880	166	-	1,046
40		Materials & Supplies	587,439	29,383	-	616,823
41		Contracted Services	1,956,592	1,708,751	-	3,665,344
42		Other - Paving	-	-	-	-
43		Other	484,762	28,283	-	513,045
44		Overhead	356,486	164,679	-	521,165
45		Salvage Cash	-	-	-	-
46		Service Company Charges	-	-	-	-
47		CWIP Accrual	225,939	(245)	-	225,694
48		CIAC Taxable	-	-	-	-
49		CIAC Non-Taxable	-	-	-	-
50		AFUDC Debt	48,649	-	-	48,649
51		AFUDC Equity	44,066	-	-	44,066
52						
53	SEC Total		\$ 3,805,550	\$ 1,933,019	\$ -	\$ 5,738,569

Tennessee American Water Company
For 12 Months Ended December 31, 2017
2017 Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Work Order #	Work Order Description	Additions	Removals	CIAC	Total
1	QIIP	I26-020028-01	Citico Plant Improvements Phase 1B	\$ 32,603	\$ 850,267	\$ -	\$ 882,870
2		R26-02B1.15-P-0006	East 34TH,35TH & 36TH Main Replacem	-	14,254	-	14,254
3		R26-02B1.15-P-0015	Dayton Blvd Main Replace	(6,671)	3,705	-	(2,966)
4		R26-02B1.16-P-0001	Blanket	196	-	-	196
5		R26-02B1.16-P-0002	Francis St Install 995' of 6"	-	4,119	-	4,119
6		R26-02B1.16-P-0004	Pirola St 525' 6" Main	2,030	2,524	-	4,554
7		R26-02B1.16-P-0006	Semi Circle Area Main Replacement	231,398	-	-	231,398
8		R26-02B1.17-P-0002	Connell St Repl 1150'-8"	159,750	3,738	-	163,488
9		R26-02B1.17-P-0003	Marion Av Repl 1920'-8" Main	286,813	5,422	-	292,235
10		R26-02B1.17-P-0004	Cain Ave btw 42nd & 47th	400,112	-	-	400,112
11		R26-02B1.17-P-0005	Delong Av S from 33rd	95,150	2,982	-	98,133
12		R26-02B1.17-P-0006	Tarilton Av South from W 34th	52,434	1,151	-	53,585
13		R26-02B1.17-P-0007	Cheek St Main Repl	287,690	-	-	287,690
14		R26-02B1.17-P-0008	14th St Main Repl	313,944	-	-	313,944
15		R26-02B1.17-P-0009	12th Av Main Replacement	137,586	3,984	-	141,570
16		R26-02B1.17-P-0010	Pioneer Drive Main Replace	163,730	-	-	163,730
17		R26-02B1.17-P-0011	Ida Belle & Parham Dr	235,179	-	-	235,179
18		R26-02B1.17-P-0012	Nottingham & Sherwood Main Repl	174,562	2,389	-	176,952
19		R26-02B1.17-P-0013	Mission View & Gardner Project	217,829	-	-	217,829
20		R26-02B1.17-P-0014	S Holly St. 160'-4"	5,731	-	-	5,731
21		R26-02B1.17-P-0017	Edgefield Dr Main Repl	46,259	-	-	46,259
22		R26-02C1.15-P-0002	Kill Main at Pilgrim's Pride	-	26,054	-	26,054
23		R26-02C1.16-P-0001	Blanket	(33,187)	8,807	-	(24,380)
24		R26-02C1.17-P-0001	Blanket	1,717,038	189,889	-	1,906,927
25		R26-02C1.17-P-0002	3007 Curtis Street	128,715	-	-	128,715
26		R26-02D1.11-P-0001	US27 BTN RIVERFRONT RELOCATION MAIN	(35)	154	-	119
27		R26-02D1.15-P-0003-CN	Reimbursement WBS for R2602D1.11-P	-	-	(66,857)	(66,857)
28		R26-02D1.16-P-0004	McCutcheon Rd Offsets	8,997	622	-	9,619
29		R26-02D1.16-P-0005	McCutcheon@Gunbarrel Main Relo	(834)	2,104	-	1,271
30		R26-02D1.17-P-0002	8th btw Pine/Chestnut	98,716	4,083	-	102,799
31		R26-02D1.17-P-0003	MLK @ Hwy 27 under ramp	35,983	1,171	-	37,154
32		R26-02D1.17-P-0005	Anderson Ave Relocate 460' of 6" Ma	41,421	-	-	41,421
33		R26-02D1.17-P-0007	East Brainerd TDOT Project	2,037,927	-	-	2,037,927
34		R26-02D1.17-P-0007-CN	East Brainerd TDOT Project	-	-	(1,688,673)	(1,688,673)
35		R26-02D1.17-P-0007-CO	East Brainerd TDOT Project	-	-	(29,877)	(29,877)
36		R26-02F1.16-P-0001	Blanket	(5,154)	(24)	-	(5,178)
37		R26-02F1.16-P-0002	Laramie Circle Hydrant Relocation	3,975	-	-	3,975
38		R26-02F1.16-P-0002-CN	Laramie Circle Hydrant Relocation	-	-	(3,000)	(3,000)
39		R26-02F1.17-P-0001	Blanket	149,891	24,313	-	174,204
40		R26-02F1.17-P-0002	1537 Southernwood H7131	3,059	-	-	3,059
41		R26-02F1.17-P-0002-CN	1537 Southernwood H7131	-	-	(2,500)	(2,500)
42		R26-02F1.17-P-0005	Relocate FH 743 Tiger Lily Trail	2,480	-	-	2,480
43		R26-02H1.16-P-0001	Blanket	19,441	8,581	-	28,021
44		R26-02H1.17-P-0001	Blanket	460,216	109,463	-	569,678
45		R26-02J1.15-P-0001	Blanket	158	-	-	158
46		R26-02J1.16-P-0001	Blanket	50,024	13,155	-	63,180
47		R26-02J1.17-P-0001	Blanket	1,623,267	181,343	-	1,804,610
48		R26-02R1.17-P-0002	South End Ground Tank	1,087,213	-	-	1,087,213
49		R26-03C1.16-P-0001	Unscheduled Mains SCUD 2016	(2,834)	-	-	(2,834)
50		R26-03F1.16-P-0001	Replaced Hydrants / Valves SCUD 201	(363)	-	-	(363)
51		R26-03H1.16-P-0001	Renewed Services SCUD 2016	(5,794)	-	-	(5,794)
52		R26-03J1.16-P-0001	Blanket	(2,055)	7,237	-	5,182
53		R26-03J1.17-P-0001	Meters-Replaced	6,374	1,265	-	7,640
54		R26-05B1.16-P-0003	Sunset Dr Main Replacement	49,211	-	-	49,211
55		R26-05B1.17-P-0003	W. Indiana Ave Main Replacement	20,604	-	-	20,604
56		R26-05C1.16-P-0001	Blanket	2,846	244	-	3,090
57		R26-05C1.17-P-0001	Blanket	32,651	5,938	-	38,589
58		R26-05F1.16-P-0001	Blanket	798	-	-	798
59		R26-05F1.17-P-0001	Blanket	15,432	3,671	-	19,103
60		R26-05H1.16-P-0001	Blanket	7,363	1,577	-	8,940
61		R26-05H1.17-P-0001	Blanket	123,997	25,651	-	149,648
62		R26-05J1.16-P-0001	Blanket	239	(14)	-	226
63		R26-05J1.17-P-0001	Blanket	73,084	14,110	-	87,193
64		R26-05J1.17-P-0002	Replace Crossroads meter	2,627	138	-	2,765
65							
66		QIIP Total		\$ 10,589,816	\$ 1,524,068	\$ (1,790,907)	\$ 10,322,977

Tennessee American Water Company
For 12 Months Ended December 31, 2017
2017 Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Work Order #	Work Order Description	Additions	Removals	CIAC	Total
67							
68	EDI	R26-02A1.16-P-0003	Blackberry Cove to Petty	\$ 11,748	\$ -	\$ -	\$ 11,748
69		R26-02A1.17-P-0002	Greenway Connect to The Palms	24,790	-	-	24,790
70		R26-02A1.17-P-0003	Riverfront Pky 6" Main Ext	25,151	-	-	25,151
71		R26-02E1.16-P-0001	Blanket	(11,629)	-	-	(11,629)
72		R26-02E1.16-P-0004	Fire Hydrant Install 6911 Conner	6,070	-	-	6,070
73		R26-02E1.16-P-0004-CN	Fire Hydrant Install 6911 Conner	-	-	(3,500)	(3,500)
74		R26-02E1.16-P-0005	Bonny Oaks/Laguna Inserta Vlv	7,599	-	-	7,599
75		R26-02E1.16-P-0006	3604 Brainerd Rd Fire Hydrant Insta	10,908	-	-	10,908
76		R26-02E1.16-P-0006-CN	3604 Brainerd Rd Fire Hydrant Insta	-	-	(4,000)	(4,000)
77		R26-02E1.16-P-0007	Fire Hydrant Install 4670 Preserve	1,992	-	-	1,992
78		R26-02E1.16-P-0007-CN	Fire Hydrant Install 4670 Preserve	-	-	(4,000)	(4,000)
79		R26-02E1.16-P-0008	Inserta-valve St. Elmo	13,220	-	-	13,220
80		R26-02E1.17-P-0001	Blanket	12,805	-	-	12,805
81		R26-02E1.17-P-0003	Inserta Valve Pine Street@ W 6th St	8,120	-	-	8,120
82		R26-02E1.17-P-0004	8" Inserta valve King Street	7,405	-	-	7,405
83		R26-02E1.17-P-0005	Fire Hydrant install 5311 Upshaw Dr	3,894	-	-	3,894
84		R26-02E1.17-P-0005-CN	Fire Hydrant install 5311 Upshaw Dr	-	-	(3,000)	(3,000)
85		R26-02E1.17-P-0006	New FH 328 Cherokee Blvd	4,849	-	-	4,849
86		R26-02E1.17-P-0006-CN	New FH 328 Cherokee Blvd	-	-	(4,000)	(4,000)
87		R26-03E1.16-P-0001	Blanket	-	-	-	-
88		R26-05A1.17-P-0002	Valley View Hwy Main Extension	276,664	-	-	276,664
89		R26-05E1.17-P-0001	Blanket	4,772	-	-	4,772
90							
91	EDI Total			\$ 408,356	\$ -	\$ (18,500)	\$ 389,856

Tennessee American Water Company
For 12 Months Ended December 31, 2017
2017 Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Work Order #	Work Order Description	Additions	Removals	CIAC	Total
92							
93	SEC	I26-020032-01	Wastewater Treatm't & Handling Impr	\$ (18,995)	\$ 1,779,592	\$ -	\$ 1,760,597
94		I26-050002-01	Facility Upgrades at Whitwell WTP	350,105	-	-	350,105
95		R26-02L1.16-P-0002	Repl Obsolete Remote Site RTUs	-	44,209	-	44,209
96		R26-02L1.17-P-0002	TN Automation & Control (HMI) Backu	2,713	-	-	2,713
97		R26-02L1.17-P-0003	Upgrade Controller @ Ross/SMR Stati	13,283	1,475	-	14,758
98		R26-02L1.17-P-0004	Upgrade Controller @ Hill Pointe St	22,181	-	-	22,181
99		R26-02L1.17-P-0005	Upgrade Controller @ White Oak Tank	12,801	-	-	12,801
100		R26-02L1.17-P-0006	Upgrade Controller @ Ryall Springs	12,836	-	-	12,836
101		R26-02L1.17-P-0007	Upgrade Controller @ Hill City Stat	15,126	-	-	15,126
102		R26-02L1.17-P-0008	Upgrade Controller @ Panorama	14,392	-	-	14,392
103		R26-02L1.17-P-0009	Upgrade Controller @ East Brainerd	12,728	-	-	12,728
104		R26-02M1.16-P-6001	Chattanooga Return to dress wiring	19	-	-	19
105		R26-02M1.16-P-6002	Citico Plant Gate, Inv #3439	-	1,480	-	1,480
106		R26-02M1.16-P-6005	Server Refresh	-	824	-	824
107		R26-02M1.17-P-7002	Citico cameras, EG2017-020	54,764	5,917	-	60,681
108		R26-02M1.17-P-7003	Tennessee Signage	5,296	-	-	5,296
109		R26-02M1.17-P-7004	Citico Fence and Cameras	71,029	-	-	71,029
110		R26-02Q1.13-P-0023	Elder Min Tank & Booster Upgrade	718,254	-	-	718,254
111		R26-02Q1.14-P-0027	Slope Stability Study Citico Pump T	(1,076)	768	-	(308)
112		R26-02Q1.15-P-0008	Replace Underdrain 10 in Filter Hse	168,854	-	-	168,854
113		R26-02Q1.15-P-0019	Chemical Vault Repl FiltrPlant#2 Al	474,701	-	-	474,701
114		R26-02Q1.15-P-0030	Mag Meter for Sludge Flow	-	-	-	-
115		R26-02Q1.15-P-0032	Stuart Heights Booster Upgrade	567	20,995	-	21,563
116		R26-02Q1.15-P-0033	WaterSuite Software Project	153,404	-	-	153,404
117		R26-02Q1.15-P-0034	Vault 3A 54" Tap Saddle Install	-	-	-	-
118		R26-02Q1.15-P-0037	Rotating Element #16 High Service	-	7,047	-	7,047
119		R26-02Q1.15-P-0040	Filter Hse 2 Foyer Roof Repl	-	-	-	-
120		R26-02Q1.16-P-0010	Repl #12 Low Service VFD	282,681	26,480	-	309,161
121		R26-02Q1.16-P-0014	Filter drain #19 actuator	0	41	-	41
122		R26-02Q1.16-P-0016	White Oak Tank Altitude Valve	60,149	-	-	60,149
123		R26-02Q1.16-P-0017	Replace Plant Analyzers	-	1,341	-	1,341
124		R26-02Q1.17-P-0002	Replace Motor #6 St. Elmo	16,863	852	-	17,715
125		R26-02Q1.17-P-0003	Replace Valves at SMR/Rossville Sta	24,131	3,219	-	27,351
126		R26-02Q1.17-P-0004	Replace Rotating Element Lookout Mt	101,595	6,042	-	107,637
127		R26-02Q1.17-P-0005	Chem Bldg. Control Room HVAC Unit	7,517	613	-	8,129
128		R26-02Q1.17-P-0006	#13 Drain Valve Actuator Replacemen	4,489	231	-	4,720
129		R26-02Q1.17-P-0007	Repl Stat. Suct & Disch Valves @ NY	42,133	-	-	42,133
130		R26-02Q1.17-P-0008	Replace Sealer for Lab Sampling	3,447	185	-	3,632
131		R26-02Q1.17-P-0009	Replace NY Ave #3 Pump	64,681	-	-	64,681
132		R26-02Q1.17-P-0010	Replace Motor Ryall Springs #3	10,286	537	-	10,823
133		R26-02Q1.17-P-0012	Low Service Priming Line	18,968	992	-	19,961
134		R26-02Q1.17-P-0013	Repl. Chlorine Feed Line Vault 3A	4,832	2,487	-	7,319
135		R26-02Q1.17-P-0015	Filter #15 Repl Underdrain & Media	191,908	-	-	191,908
136		R26-02Q1.17-P-0017	Filter #13 Repl Underdrain & Media	191,908	-	-	191,908
137		R26-02Q1.17-P-0018	Repl. Inlet Vlive @ Thickner #1	20,508	4,680	-	25,188
138		R26-02Q1.17-P-0019	Repl. 6" Gate Vlive 2 Plant Wash H2O	3,536	3,449	-	6,985
139		R26-02Q1.17-P-0020	Install NaMnO4 Chem. Feed System	10,100	-	-	10,100
140		R26-02Q1.17-P-0021	Repl #1 & #2 pH & Fluoride Online M	18,946	-	-	18,946
141		R26-02Q1.17-P-0023	Repl. PRV for Diesel Engine @ Hill	2,501	-	-	2,501
142		R26-02Q1.17-P-0025	Repl. New York #2 Motor	7,620	-	-	7,620
143		R26-03L1.17-P-0002	Tennessee Automation & Control (HMI	1,678	-	-	1,678
144		R26-03M1.17-P-7002	Suck Creek cameras, EG2017-021	20,271	-	-	20,271
145		R26-03Q1.16-P-0002	Pressure Filter Repl #1 Suck Creek	148,710	7,433	-	156,143
146		R26-03Q1.16-P-0003	Pressure Filter Repl #2 Suck Creek	149,404	7,469	-	156,874
147		R26-03Q1.17-P-0002	Chlorine Injection System	80,127	-	-	80,127
148		R26-05L1.16-P-0002	SCADA Spare Parts	29,071	-	-	29,071
149		R26-05L1.17-P-0002	Tennessee Automation & Control (HMI	1,628	-	-	1,628
150		R26-05L1.17-P-0003	Upgrade Controller @ Red Hill Boost	26,799	-	-	26,799
151		R26-05M1.17-P-7002	Whitwell WTP, Panel Grounding	2,143	-	-	2,143
152		R26-05M1.17-P-7003	Whitwell WTP, Panel Replacement	3,495	-	-	3,495
153		R26-05Q1.15-P-0010	Source Water monitoring equipment	64,030	-	-	64,030
154		R26-05Q1.16-P-0004	Replaced anthracite in filters	11,727	112	-	11,839
155		R26-05Q1.16-P-0006	#1 Pump bowl assembly and shaft	7,520	376	-	7,896
156		R26-05Q1.16-P-0007	New #1 pump	29,849	1,487	-	31,336
157		R26-05Q1.17-P-0002	Chlorine Analyzer	5,775	301	-	6,076
158		R26-05Q1.17-P-0003	Wiley Ross Pumps replace	27,781	1,462	-	29,243
159		R26-05Q1.17-P-0004	Sludge return pump replace	5,902	311	-	6,213
160		R26-05Q1.17-P-0005	Filter wash return pump	9,933	497	-	10,430
161		R26-05Q1.17-P-0006	Septic line replacement	1,050	-	-	1,050
162		R26-05Q1.17-P-0007	Surface wash valve replacement	2,239	112	-	2,351
163		R26-05Q1.17-P-0008	treated water supply lines	4,640	-	-	4,640
164							
165	SEC Total			\$ 3,805,550	\$ 1,933,019	\$ -	\$ 5,738,569
166							

Tennessee American Water Company
For 12 Months Ended December 31, 2017
2017 Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Work Order #	Work Order Description	Additions	Removals	CIAC	Total
167	Grand Total			\$ 14,803,722	\$ 3,457,087	\$ (1,809,407)	\$ 16,451,402
168							
169							

MONTHLY REPORT OF REVENUES, EXPENSES AND INVESTMENTS

WATER COMPANIES

Petitioner's Exhibit - December 017 Monthly Report to TPUC -- LCB

Company Name: Tennessee American Water Company

Month of Report: December 2017

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PSC--3.06

(a)	Amount for this Month		Year-To-Date		12 Months-To-Date	
	This Year (b)	Last Year (c)	This Year (d)	Last Year (e)	This Year (f)	Last Year (g)
Operating Revenues						
1. Residential Sales.....	1,583,003	1,781,145	22,870,557	21,287,554	22,870,557	23,068,699
2. Commercial Sales.....	1,322,191	1,289,845	17,283,542	15,961,351	17,283,542	17,251,196
3. Industrial Sales.....	365,520	339,949	4,424,636	4,059,117	4,424,636	4,399,066
4. Other Sales.....	624,540	709,147	8,716,545	8,092,004	8,716,545	8,801,152
5. Total Operating Revenues (Item 1-4).....	3,895,254	4,120,086	53,295,280	49,400,026	53,295,280	53,520,113
Operating Expenses						
6. Source of Supply Expense.....	7,851	28,934	252,593	244,743	252,593	273,677
7. Pumping and Water Treatment Expense.....	467,209	663,564	5,638,891	5,171,682	5,638,891	5,835,246
8. Transmission and Distribution-Operation.....	42,191	86,637	609,346	567,154	609,346	653,791
9. Transmission and Distribution-Maintenance.....	162,519	245,904	1,557,046	1,394,527	1,557,046	1,640,431
10. Customer Accounts and Sales Expense.....	164,708	372,620	1,997,229	1,832,520	1,997,229	2,205,140
11. Administrative and General Expense.....	1,384,606	1,884,432	13,080,910	11,696,304	13,080,910	13,580,736
12. Depreciation and Amortization.....	672,068	628,321	7,918,361	7,246,293	7,918,361	7,874,614
13. Taxes Other Than Income Taxes.....	774,970	416,623	5,646,129	4,871,160	5,646,129	5,287,783
14. Income Taxes.....	59,983	(162,766)	5,095,580	5,035,597	5,095,580	4,872,831
15. Total Operating Expenses (Item 6-14).....	3,736,106	4,164,269	41,796,085	38,059,980	41,796,085	42,224,249
16. Net Operating Income (Item 5 less 15).....	159,149	(44,183)	11,499,195	11,340,046	11,499,195	11,295,864
Gain/Loss on Sale	0	0				
17. Other Income.....	(9,395)	(3,189)	(36,115)	(26,720)	(36,115)	(29,909)
18. Miscellaneous Income Deductions.....	994	(3,293)	7,049	6,055	7,049	2,762
19. Interest Charges.....	303,821	306,189	3,682,860	3,379,039	3,682,860	3,686,427
20. Net Income.....	(155,061)	(343,890)	7,773,171	7,928,232	7,773,171	7,576,766
	Balance at End of Month This Year (h)	Balance at End of Month Last Year (i)	Aver. for 12 Mo.- To-Date This Year (j)	Aver. for 12 Mo.-To-Date Last Year (k)		
21. Utility Plant In Service.....(1).....	312,344,667	297,481,240	303,901,988	302,663,369		
22. Construction Work in Progress.....	4,065,376	2,247,280	3,894,892	3,743,384		
23. Utility Plant Acquisition Adjustment.....	0	0	0	0		
24. Property Held for Future Use.....	0	0	0	0		
25. Accumulated Depreciation and Amort..(1).....	89,805,736	84,867,111	88,304,261	87,892,709		
26. Materials and Supplies.....	914,411	799,279	911,789	902,194		
27. Unamortized Investment Credit.....	352,584	428,952	387,586	393,950		
28. Deferred Income Tax.....	23,704,995	42,037,767	43,296,342	43,296,342		
29. Contributions in Aid of Construction.....	17,119,159	15,011,694	15,923,370	15,747,747		
30. Customer Advances for Construction.....	3,281,859	3,786,559	3,738,021	3,780,079		
31. Preferred Stock.....	0	0	0	0		
32. Common Stock.....	13,754,235	13,754,235	13,754,235	13,754,235		
33. Premium on Capital Stock and Other Capital.....	38,500,589	34,445,812	37,134,505	36,796,607		
34. Retained Earnings.....	33,281,593	30,735,027	32,840,272	32,628,058		
35. Long Term Debt.....(1).....	72,399,093	72,384,770	72,392,528	72,391,335		

(1) Includes Capital Lease

FOR THE MONTH ENDED DECEMBER 2017

Line #		Average Monthly Balance	Average for 12 MTD
1	Additions:		
2	Plant in Service	\$312,344,667	\$303,901,988
3	Plant Under Construction	4,065,376	3,894,892
4	Property Held For Future Use	0	0
5	Materials and Supplies	914,411	911,789
6	Other Additions:		
7	Leased Utility Plant	0	0
8	Unamortized Painting - net	0	0
9	Working Capital C/	3,409,884	3,409,884
10			
11	Total Additions	320,734,338	312,118,553
12			
13			
14	Deductions:		
15	Accumulated Depreciaton and Amortization	89,805,736	88,304,261
16	Accumulated Deferred Income Taxes	42,037,767	43,296,342
17	Unamortized Investment Credit - Pre 1971	6,775	8,194
18	Customer Deposits	0	0
19	Other Deductions:		
20	Contributions in Aid of Construction	17,119,159	15,923,370
21	Customer Advances for Construction	3,281,859	3,738,021
22	All Other A/	(1,084,545)	(1,268,663)
23			
24			
25			
26	Total Deductions	151,166,751	150,001,525
27			
28	Rate Base	\$169,567,587	\$162,117,028
29			
30	Net Operating Income	\$159,149	\$11,499,195
31	Adjustments to NOI		
32	Allowance for funds used during construction	24,973	202,859
33	Adjustment to reflect effective federal		
34	Income tax rate (debt assigned to parent)	19,400	223,993
35	Interest on customer deposits	0	0
36			
37			
38			
39	Adjusted Net Operating Income	\$203,522	\$11,926,047
40			
41			
42	Rate of return B/	1.44%	7.36%

A/ All Other

Acquisition adjustment	\$0	\$0
Accounts payable applicable to CWIP	268,625	53,825
Unpaid for materials and supplies	38,256	50,084
Taxes on CIAC-DEF. FIT & SIT	(1,391,426)	(1,372,572)
	(\$1,084,545)	(\$1,268,663)

B/ Rate of return - Monthly (L39 / L28) x 12

C/ Per order

Cash working capital Lead Lag Study	\$591,674
Incidental collection	(116,192)
Average cash	0
Other components	2,934,402
Working cash	\$3,409,884

TENNESSEE PUBLIC UTILITY COMMISSION
MONTHLY REPORT
December 2017

Listed below is the gross amount of changes, which would affect operating income and are not fully reflected in the revenue shown in the report. Also, attached is an analysis of meters in service by size and by revenue classification.

ITEM	AVG. MONTHLY INCREASE	NO. OF PERIODS	12 MONTHS TO DATE
Salary: 1-1-12 Increase	\$ 37,678.16	0	\$ -
Hourly: 11-1-12 Increase	\$ 7,000.93	0	\$ -
Sub-total			\$ -
Plus: Pensions, Insurance and Taxes 0.564			\$ -
Total			\$ -

ACCOUNTS PAYABLE IN	Dec-17
Applicable to Utility Plant in Service	\$ -
Applicable to Construction Work in Progress	\$ -
Unpaid for Materials and Supplies	\$ -

TENNESSEE-AMERICAN WATER COMPANY
METERS IN SERVICE AT THE END OF THE PERIOD
December 2017

Meter Size (a)	Residential (b)	Commercial (c)	Industrial (d)	Other (e)	Total (f)
36. 5/8"	64,308	4,926	19	173	69,426
37. 3/4"	103	117	2	10	232
38. 1"	252	1,473	24	139	1,888
39. 1 1/2"	20	394	7	73	494
40. 2"	24	1,100	75	293	1,492
41. 3"	0	64	0	7	71
42. 4" & Over	0	58	24	35	117
43. Totals	64,707	8,132	151	730	73,720

INSTRUCTIONS

1. This report is required of all water companies which had operating revenues for the proceeding year in excess of \$1,500,000 as provided in the Commission's rules. Prepare on a typewriter and file within 60 days after the end of the month covered by the report. Show amounts adjusted to the nearest dollar.
2. If any amount for the current month differs materially from that for the previous month or the same month a year ago and the difference is not self-explanatory, annotate the amount and explain the occasioning facts under "Remarks".
3. List the type and number of other customers in the water meters in service section under "Remarks".

REMARKS

N/A

I certify that to the best of my knowledge and belief this is a true and correct report:

Date: 3/1, 2017

(Signed)



Title and Address:

Manager - Rates & Regulation

109 Wiehl Street

Chattanooga, TN 37403

CONTINUING SURVEILLANCE CONSIDERATIONS - December 2017

Estimate the effect on annual net operating income of very significant known changes occurring within the period covered by the report, which are not fully reflected in the revenue and expense amounts shown in the report.

- (1) Employee wage increases
(including associated insurance & taxes)

-

CLASSIFICATION OF SERVICEECONOMIC DEVELOPMENT INVESTMENT PROGRAM – RIDER**1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Economic Development Investment Program (“EDI”) Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

2. Definitions

For the purposes of this Rider:

“Actual EDI Investment Amount” means the amount of actual capital investment and associated operating expenses of the Company for the Economic Development Investment Program and not otherwise included in current base rates. At the time of the Company’s next general rate case proceeding, all prudently incurred Actual EDI Investment Amounts associated with this Rider shall be included in base rates.

“Annual Reconciliation Factor” means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

“Annual Review Period” means the twelve-month period between the annual adjustments of the EDI Percentage Rate. For the first year beyond the attrition year of the base rate case, this review period may be shorter or longer than a twelve-month period to cover expenditures between the attrition year and the start of the subsequent calendar year.

“Commission” means the Tennessee Public Utility Commission.

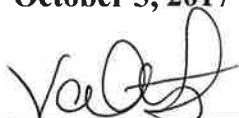
“Budget-to-Actual Adjustment” means the adjustment to EDI for the applicable coming annual period due to the difference between the Forecasted EDI Investment and Expense Amount and the Actual EDI Investment and Expense Amount.

(T) Denotes Change in text

ISSUED: **October 3, 2017**

EFFECTIVE: **November 2, 2017**

BY:



**Valoria V. Armstrong
PRESIDENT**

**109 Wiehl Street
Chattanooga, Tennessee 37403**

"Consumer Advocate" means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

"Forecasted EDI Investment Amount" means the amount of forecasted capital investment of the Company for the Economic Development Investment Program and not otherwise included in current base rates.

(T) **"Over-Under Collection Adjustment"** means the adjustment to EDI for the applicable coming annual period due to the net amount of over or under collections. This will include over-under collections from the annual review period EDI and any remaining balance of the over-under collection from the prior reconciliation of the EDI.

"Relevant Rate Order" means the final order of the Commission in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

3. General Description

EDI allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment and expenses. For purposes of this Rider, qualifying EDI investment includes the following:

Distribution, Production, and Other Infrastructure – Distribution, production, and other infrastructure that may be identified as being for the purpose of economic development.

Economic Development Expenses – Operational expenses that are specifically to support economic development and economic development investment utility plant.

EDI Investment is to be identifiable on the Company's books and segregated into the following general accounts:


Account 331 – Transmission & Distribution Mains;
Account 333 – Services;
Account 334 – Meters & Meter Installations;
Account 335 – Hydrants;
Account 320 – Water Treatment Equipment, Non-Media;
Account 311 – Pumping Equipment;
Account 303 – Land and Land Rights;
Account 304 – Structures and Improvements;

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Valoria V. Armstrong
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Account 306 – Lake, River and Other Intakes;
 Account 307 – Wells and Springs;
 Account 309 – Supply Mains;
 Account 310 – Power Generation Equipment;
 Account 330 – Distribution Reservoirs and Standpipes; and
 Account 330003 – Capitalized Tank Painting.

4. Determination of the Economic Development Investment Program Percentage Rate

- (A) The EDI percentage shall be expressed as a percentage carried to two (2) decimal places. The EDI percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The EDI percentage shall be calculated on an annual prospective basis as follows:

FORECASTED EDI Investment Amount

Less EDI Plant Retirements (Net of Cost of Removal & Salvage)

Less Contributions in Aid of Construction

Less Accumulated Depreciation

Less Accumulated Deferred Income Taxes

Net Forecasted EDI Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Forecasted EDI Pre-Tax Return

Plus Depreciation Expense

Plus Property Taxes

Plus Franchise Taxes

Plus Economic Development Operational Expenses

Subtotal Forecasted EDI Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate

Plus Uncollectible Expense Rate

Plus Gross Receipts Tax Rate

Total Forecasted EDI Revenue Requirement

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Divided by Relevant Rate Order Volumetric & Metered Revenue

EDI Percentage Rate

Where:

Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted EDI plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

Accumulated Deferred Income Taxes = An average of the forecasted accumulated deferred income taxes related to qualified forecasted EDI investment at the beginning and end of the year.

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of forecasted EDI infrastructure.

Depreciation Expense = Forecasted cumulative qualified EDI investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

Forfeited Discount Rate = Forecasted EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

Franchise Taxes = Forecasted cumulative qualified EDI investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

Gross Receipts Tax Rate = Forecasted EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

Property Taxes = Forecasted cumulative qualified EDI investment multiplied by composite property tax rate approved in the Relevant Rate Order.

EDI Plant Retirements = Forecasted EDI plant removed from service net of any associated cost of removal and salvage.

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Forecasted EDI Investment Amount = Average forecasted EDI additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

Economic Development Expenses = the incremental operational expenses that are specifically to support economic development or economic development utility plant.

Uncollectible Expense = Forecasted EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the EDI is the EDI Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

5. Determination of the Annual Reconciliation Factor Percentage Rate

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.

- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment
 Plus Over-Under Collection Adjustment
 Plus Earnings Test Adjustment
Plus Interest
 Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

Annual Reconciliation Factor Percentage Rate


- (C) Computation of the Budget-to-Actual Adjustment.

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The Budget-to-Actual Adjustment will be computed as follows:

ACTUAL EDI Investment Amount for the Annual Review Period
 Less EDI Plant Retirements (Net of Cost of Removal & Salvage)
 Less Contributions in Aid of Construction
 Less Accumulated Depreciation
Less Accumulated Deferred Income Taxes
 Net Actual EDI Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual EDI Pre-Tax Return
 Plus Depreciation Expense
 Plus Property Taxes
 Plus Franchise Taxes
Plus Economic Development Operational Expenses
 Subtotal Actual EDI Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate
 Plus Uncollectible Expense Rate
Plus Gross Receipts Tax Rate
 Total Actual EDI Revenue Requirement

 Less Total Forecasted EDI Revenue Requirement

 Budget-to-Actual Adjustment

Where:

Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted EDI plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

Accumulated Deferred Income Taxes = An average of the actual accumulated deferred income taxes related to actual EDI investment at the beginning and end of the year.

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Contributions in Aid of Construction = Non-investor supplied funds used in the construction of actual EDI infrastructure.

Depreciation Expense = Actual cumulative qualified EDI investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

Forfeited Discount Rate = Actual EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

Franchise Taxes = Actual cumulative qualified EDI investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

Gross Receipts Tax Rate = Actual EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

Property Taxes = Actual cumulative qualified EDI investment multiplied by composite property tax rate approved in the Relevant Rate Order.

EDI Plant Retirements = Actual EDI plant removed from service net of any associated cost of removal and salvage.

Actual EDI Investment Amount = Average actual EDI additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

Economic Development Expenses = the incremental operational expenses that are specifically to support economic development or economic development utility plant.

Uncollectible Expense = Actual EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

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(D) Computation of the Over-Under Collection Adjustment.

- (T) The Company will identify and record the total amount of the EDI Collected from Customers for the Annual Review Period. The difference between the Total EDI Collected from Customers and the Total Budgeted EDI Revenue Requirement shall constitute the Over-Under Collection Adjustment. This adjustment shall include any remaining Over-Under amount from the prior period reconciliation during the Annual Review Period in addition to the Over-Under collection amount for the EDI during the Annual Review Period.
- (T)
- (T)

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

Interest will be computed as follows:

Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment
Plus Earnings Test Adjustment

Total Amount Subject to Interest
Interest Rate Multiplied by 50%

Total Interest


Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

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6. New Base Rates

The EDI rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the EDI. Thereafter, only the costs of new EDI eligible plant additions that have not previously been reflected in the Company's rate base, would be reflected in new annual prospective EDI filings.

7. Annual EDI Percentage Rate Filing

On or before December 1 of each year, the Company shall submit to the Commission a calculation of the EDI Percentage Rate for the following calendar year. The Annual EDI Percentage Rate Filing shall be verified by an officer of the Company. The Annual EDI Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted EDI Investment Amount, with such revenue adjustment applied through the EDI Percentage Rate. The EDI Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual EDI Percentage Rate Filing the following information at a minimum: (a) computation of the EDI Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted EDI Investment Amount and Forecasted Economic Development Operational Expenses adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) statements demonstrating how each projected capital investment comprising the Forecasted EDI Investment Amount and each projected operational expense comprising the Forecasted Economic Development Operational Expenses meet the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Commission may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual EDI Percentage Rate Filing.

8. Annual Reconciliation Filing with the Commission

On or before March 1 of each year, the Company shall submit to the Commission a reconciliation of the results of the operation of the EDI for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this EDI Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred EDI cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on

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**Valoria V. Armstrong
PRESIDENT**

**109 Wiehl Street
Chattanooga, Tennessee 37403**

TENNESSEE-AMERICAN WATER COMPANY**Third Revised Sheet No. 12-EDI-10**

April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total EDI Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) schedules of the Actual EDI Investment Amount and Actual Economic Development Operational Expenses, including related general ledger support, (f) a schedule of any proposed prior period adjustments, (g) an affirmative statement of whether the Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (h) the cumulative amount of EDI collected from customers under this Rider, and (i) such other information as the Commission may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

9. Notice Requirements

The Company will file revised tariffs for Commission approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

10. Public Interest Review

Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Commission, for a reconsideration of whether it remains in the public interest.

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ISSUED: October 3, 2017

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BY:



**Valoria V. Armstrong
PRESIDENT**

**109 Wiehl Street
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CLASSIFICATION OF SERVICE**QUALIFIED INFRASTRUCTURE IMPROVEMENT PROGRAM – RIDER****1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program (“QIIP”) Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

2. Definitions

For the purposes of this Rider:

“**Actual QIIP Investment Amount**” means the amount of actual capital investment of the Company for the Qualified Infrastructure Improvement Program and not otherwise included in current base rates. At the time of the Company’s next general rate case proceeding, all prudently incurred Actual QIIP Investment Amounts associated with this Rider shall be included in base rates.

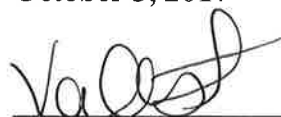
“**Annual Reconciliation Factor**” means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

“**Annual Review Period**” means the twelve-month period between the annual adjustments of the QIIP Percentage Rate.

“**Commission**” means the Tennessee Public Utility Commission.

“**Budget-to-Actual Adjustment**” means the adjustment to QIIP for the applicable coming annual period due to the difference between the Forecasted QIIP Investment Amount and the Actual QIIP Investment Amount.

(T) Denotes change in text

ISSUED: October 3, 2017**EFFECTIVE: November 2, 2017****BY:**

**Valoria V. Armstrong
PRESIDENT**

**109 Wiehl Street
Chattanooga, Tennessee 37403**

“Consumer Advocate” means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

“Forecasted QIIP Investment Amount” means the amount of forecasted capital investment of the Company for the Qualified Infrastructure and Investment Program and not otherwise included in current base rates.

(T) **“Over-Under Collection Adjustment”** means the adjustment to QIIP for the applicable
(T) coming annual period due to the net amount of over or under collections. This will include
(T) over-under collections from the annual review period EDI and any remaining balance of the
(T) over-under collection from the prior reconciliation of the EDI.

“Relevant Rate Order” means the final order of the Commission in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

3. General Description

QIIP allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment. For purposes of this Rider, qualifying QIIP investment includes the following:

Distribution Infrastructure – Replacement distribution and transmission mains and valves installed as replacements for existing facilities, reinforcement of existing facilities or otherwise insuring reliability of existing facilities; Hydrants, Services, Meters and Meter Installations – installed as in-kind replacements, reinforcements or insuring reliability of existing facilities; Unreimbursed funds related to capital projects to relocate facilities required by governmental highway projects; Capitalized tank repairs and maintenance that serve to replace, reinforce, or otherwise insure reliability of existing facilities.

Production and Pumping Infrastructure – Replacement of water treatment facilities and equipment installed as replacements for existing facilities, reinforcement of existing facilities or otherwise insuring reliability of existing facilities; Raw Water and Finished Water pumping equipment and structures installed as replacements, reinforcements or otherwise insuring reliability of existing facilities.

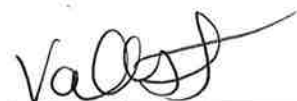
Other Infrastructure – Infrastructure designed to utilize alternative fuels.

(T) Denotes change in text

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BY:



Valoria V. Armstrong
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

QIIP Investment is to be identifiable on the Company's books and segregated into the following general accounts:

Account 331 – Transmission & Distribution Mains;
 Account 333 – Services;
 Account 334 – Meters & Meter Installations;
 Account 335 – Hydrants;
 Account 320 – Water Treatment Equipment, Non-Media;
 Account 311 – Pumping Equipment;
 Account 303 – Land and Land Rights;
 Account 304 – Structures and Improvements;
 Account 306 – Lake, River and Other Intakes;
 Account 307 – Wells and Springs;
 Account 309 – Supply Mains;
 Account 310 – Power Generation Equipment
 Account 330 – Distribution Reservoirs and Standpipes;
 Account 341 – Transportation Equipment; and
 Account 330003 – Capitalized Tank Painting.

4. Determination of the Qualified Infrastructure Improvement Program Percentage Rate

- (A) The QIIP percentage shall be expressed as a percentage carried to two (2) decimal places. The QIIP percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The QIIP percentage shall be calculated on an annual prospective basis as follows:

FORECASTED QIIP Investment Amount

Less QIIP Plant Retirements (Net of Cost of Removal & Salvage)

Less Contributions in Aid of Construction

Less Accumulated Depreciation

Less Accumulated Deferred Income Taxes

Net Forecasted QIIP Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Forecasted QIIP Pre-Tax Return

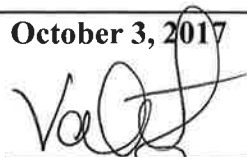
Plus Depreciation Expense

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Plus Property Taxes
 Plus Franchise Taxes
 Subtotal Forecasted QIIP Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:
 Forfeited Discounts Rate
 Plus Uncollectible Expense Rate
 Plus Gross Receipts Tax Rate
 Total Forecasted QIIP Revenue Requirement

Divided by Relevant Rate Order Volumetric & Metered Revenue

QIIP Percentage Rate

Where:

Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted QIIP plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

Accumulated Deferred Income Taxes = An average of the forecasted accumulated deferred income taxes related to qualified forecasted QIIP investment at the beginning and end of the year.

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of forecasted QIIP infrastructure.

Depreciation Expense = Forecasted cumulative qualified QIIP investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

Forfeited Discount Rate = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

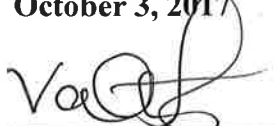
Franchise Taxes = Forecasted cumulative qualified QIIP investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

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Gross Receipts Tax Rate = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

Property Taxes = Forecasted cumulative qualified QIIP investment multiplied by composite property tax rate approved in the Relevant Rate Order.

QIIP Plant Retirements = Forecasted QIIP plant removed from service net of any associated cost of removal and salvage.

Forecasted QIIP Investment Amount = Average forecasted QIIP additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

Uncollectible Expense = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the QIIP is the QIIP Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

5. Determination of the Annual Reconciliation Factor Percentage Rate

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:


Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment

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TENNESSEE-AMERICAN WATER COMPANY

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Third Revised Sheet No. 12-QIIP-6

Plus Earnings Test Adjustment
Plus Interest
 Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

Annual Reconciliation Factor Percentage Rate

(C) Computation of the Budget-to-Actual Adjustment.

The Budget-to-Actual Adjustment will be computed as follows:

ACTUAL QIIP Investment Amount for the Annual Review Period
 Less QIIP Plant Retirements (Net of Cost of Removal & Salvage)
 Less Contributions in Aid of Construction
 Less Accumulated Depreciation
Less Accumulated Deferred Income Taxes
 Net Actual QIIP Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual QIIP Pre-Tax Return
 Plus Depreciation Expense
 Plus Property Taxes
Plus Franchise Taxes
 Subtotal Actual QIIP Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate
 Plus Uncollectible Expense Rate
Plus Gross Receipts Tax Rate
 Total Actual QIIP Revenue Requirement

Less Total Forecasted QIIP Revenue Requirement

Budget-to-Actual Adjustment

Where:

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Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted QIIP plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

Accumulated Deferred Income Taxes = An average of the actual accumulated deferred income taxes related to actual QIIP investment at the beginning and end of the year.

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of actual QIIP infrastructure.

Depreciation Expense = Actual cumulative qualified QIIP investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

Forfeited Discount Rate = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

Franchise Taxes = Actual cumulative qualified QIIP investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

Gross Receipts Tax Rate = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

Property Taxes = Actual cumulative qualified QIIP investment multiplied by composite property tax rate approved in the Relevant Rate Order.

QIIP Plant Retirements = Actual QIIP plant removed from service net of any associated cost of removal and salvage.

Actual QIIP Investment Amount = Average actual QIIP additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

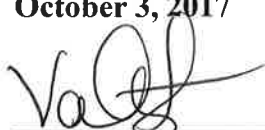
Uncollectible Expense = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

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Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

(D) Computation of the Over-Under Collection Adjustment.

(T) The Company will identify and record the total amount of the QIIP Collected from
(T) Customers for the Annual Review Period. The difference between the Total QIIP Collected
(T) from Customers and the Total Budgeted QIIP Revenue Requirement shall constitute the
Over-Under Collection Adjustment. . This adjustment shall include any remaining Over-
Under amount from the prior period reconciliation during the Annual Review Period in
addition to the Over-Under collection amount for the EDI during the Annual Review Period.

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

Interest will be computed as follows:

Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment
Plus Earnings Test Adjustment

Total Amount Subject to Interest
Interest Rate Multiplied by 50%

Total Interest

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Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

6. New Base Rates

The QIIP rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the QIIP. Thereafter, only the costs of new QIIP eligible plant additions that have not previously been reflected in the Company's rate base, would be reflected in new annual prospective QIIP filings.

7. Annual QIIP Percentage Rate Filing

On or before December 1 of each year, the Company shall submit to the Commission a calculation of the QIIP Percentage Rate for the following calendar year. The Annual QIIP Percentage Rate Filing shall be verified by an officer of the Company. The Annual QIIP Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted QIIP Investment Amount, with such revenue adjustment applied through the QIIP Percentage Rate. The QIIP Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual QIIP Percentage Rate Filing the following information at a minimum: (a) computation of the QIIP Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted QIIP Investment Amount adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) a statement demonstrating how each projected capital investment comprising the Forecasted QIIP Investment Amount meets the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Commission may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual QIIP Percentage Rate Filing.

8. Annual Reconciliation Filing with the Commission

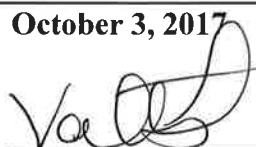
On or before March 1 of each year, the Company shall submit to the Commission a reconciliation of the results of the operation of the QIIP for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this QIIP Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred QIIP cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on

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April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total QIIP Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) a schedule of any proposed prior period adjustments, (f) an affirmative statement of whether the Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (g) the cumulative amount of QIIP collected from customers under this Rider, and (h) such other information as the Commission may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

9. Notice Requirements

The Company will file revised tariffs for Commission approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

10. Public Interest Review

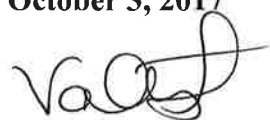
Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Commission, for a reconsideration of whether it remains in the public interest.

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CLASSIFICATION OF SERVICE**SAFETY AND ENVIRONMENTAL COMPLIANCE – RIDER****1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Safety and Environmental Compliance Program (“SEC”) Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

2. Definitions

For the purposes of this Rider:

“**Actual SEC Investment Amount**” means the amount of actual capital investment and associated operating expenses of the Company for the Safety and Environmental Compliance Program and not otherwise included in current base rates. At the time of the Company’s next general rate case proceeding, all prudently incurred Actual SEC Investment Amounts associated with this Rider shall be included in base rates.

“**Annual Reconciliation Factor**” means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

“**Annual Review Period**” means the twelve-month period between the annual adjustments of the SEC Percentage Rate. For the first year beyond the attrition year of the base rate case, this review period may be shorter or longer than a twelve-month period to cover expenditures between the attrition year and the start of the subsequent calendar year.

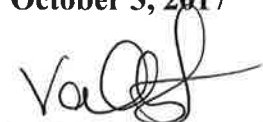
“**Commission**” means the Tennessee Public Utility Commission.

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“Budget-to-Actual Adjustment” means the adjustment to SEC for the applicable coming annual period due to the difference between the Forecasted SEC Investment and Expense Amount and the Actual SEC Investment and Expense Amount.

“Consumer Advocate” means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

“Forecasted SEC Investment Amount” means the amount of forecasted capital investment of the Company for the Safety and Environmental Compliance Program and not otherwise included in current base rates.

(T) **“Over-Under Collection Adjustment”** means the adjustment to SEC for the applicable coming annual period due to the net amount of over or under collections. . This will include
(T) over-under collections from the annual review period EDI and any remaining balance of the
(T) over-under collection from the prior reconciliation of the EDI.

“Relevant Rate Order” means the final order of the Commission in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

3. General Description

SEC allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment and expenses. For purposes of this Rider, qualifying SEC investment includes the following:

Distribution and Production Infrastructure – Distribution, production, and other infrastructure that may be identified as being for the purpose of safety and environmental compliance.

Safety and Environmental Expenses – Operational expenses similar to other expenses authorized in previous rate cases that are specifically new expenses for safety and environmental compliance or to support safety and environmental compliance utility plant.

SEC Investment is to be identifiable on the Company’s books and segregated into the following general accounts:

Account 331 – Transmission & Distribution Mains;
Account 333 – Services;
Account 334 – Meters & Meter Installations;

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TENNESSEE-AMERICAN WATER COMPANY**TPUC NO. 19****Second Revised Sheet No. 12-SEC-3**

Account 335 – Hydrants;
 Account 320 – Water Treatment Equipment, Non-Media;
 Account 311 – Pumping Equipment;
 Account 303 – Land and Land Rights;
 Account 304 – Structures and Improvements;
 Account 306 – Lake, River and Other Intakes;
 Account 307 – Wells and Springs;
 Account 309 – Supply Mains;
 Account 310 – Power Generation Equipment
 Account 330 – Distribution Reservoirs and Standpipes; and
 Account 330003 – Capitalized Tank Painting.

4. Determination of the Safety and Environmental Compliance Program Percentage Rate

- (A) The SEC percentage shall be expressed as a percentage carried to two (2) decimal places.
 The SEC percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The SEC percentage shall be calculated on an annual prospective basis as follows:

FORECASTED SEC Investment Amount

Less SEC Plant Retirements (Net of Cost of Removal & Salvage)
 Less Contributions in Aid of Construction
 Less Accumulated Depreciation
Less Accumulated Deferred Income Taxes

Net Forecasted SEC Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Forecasted SEC Pre-Tax Return

Plus Depreciation Expense
 Plus Property Taxes
 Plus Franchise Taxes
Plus Safety and Environmental Compliance Operational Expenses

Subtotal Forecasted SEC Revenue Requirement Before Revenue Tax


Divided by 1 minus the following:

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Forfeited Discounts Rate
 Plus Uncollectible Expense Rate
Plus Gross Receipts Tax Rate
 Total Forecasted SEC Revenue Requirement

Divided by Relevant Rate Order Volumetric & Metered Revenue

SEC Percentage Rate

Where:

Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted SEC plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

Accumulated Deferred Income Taxes = An average of the forecasted accumulated deferred income taxes related to qualified forecasted SEC investment at the beginning and end of the year.

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of forecasted SEC infrastructure.

Depreciation Expense = Forecasted cumulative qualified SEC investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

Forfeited Discount Rate = Forecasted SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

Franchise Taxes = Forecasted cumulative qualified SEC investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.


Gross Receipts Tax Rate = Forecasted SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

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Property Taxes = Forecasted cumulative qualified SEC investment multiplied by composite property tax rate approved in the Relevant Rate Order.

SEC Plant Retirements = Forecasted SEC plant removed from service net of any associated cost of removal and salvage.

Forecasted SEC Investment Amount = Average forecasted SEC additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

Safety and Environmental Compliance Expenses = the incremental operational expenses similar to other expenses authorized in previous rate cases that are specifically for safety and environmental compliance or to support safety and environmental compliance utility plant.

Uncollectible Expense = Forecasted SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the SEC is the SEC Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

5. Determination of the Annual Reconciliation Factor Percentage Rate

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment

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Plus Earnings Test Adjustment

Plus Interest

Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

Annual Reconciliation Factor Percentage Rate

(C) Computation of the Budget-to-Actual Adjustment.

The Budget-to-Actual Adjustment will be computed as follows:

ACTUAL SEC Investment Amount for the Annual Review Period

Less SEC Plant Retirements (Net of Cost of Removal & Salvage)

Less Contributions in Aid of Construction

Less Accumulated Depreciation

Less Accumulated Deferred Income Taxes

Net Actual SEC Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual SEC Pre-Tax Return

Plus Depreciation Expense

Plus Property Taxes

Plus Franchise Taxes

Plus Safety and Environmental Compliance Operational Expenses

Subtotal Actual SEC Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate

Plus Uncollectible Expense Rate

Plus Gross Receipts Tax Rate

Total Actual SEC Revenue Requirement

Less Total Forecasted SEC Revenue Requirement

Budget-to-Actual Adjustment

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Where:

Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted SEC plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

Accumulated Deferred Income Taxes = An average of the actual accumulated deferred income taxes related to actual SEC investment at the beginning and end of the year.

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of actual SEC infrastructure.

Depreciation Expense = Actual cumulative qualified SEC investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

Forfeited Discount Rate = Actual SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

Franchise Taxes = Actual cumulative qualified SEC investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

Gross Receipts Tax Rate = Actual SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

Property Taxes = Actual cumulative qualified SEC investment multiplied by composite property tax rate approved in the Relevant Rate Order.

SEC Plant Retirements = Actual SEC plant removed from service net of any associated cost of removal and salvage.

Actual SEC Investment Amount = Average actual SEC additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

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Safety and Environmental Compliance Expenses = the incremental operational expenses similar to other expenses authorized in previous rate cases that are specifically for safety and environmental compliance or to support safety and environmental compliance utility plant.

Uncollectible Expense = Actual SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

(D) Computation of the Over-Under Collection Adjustment.

(T) The Company will identify and record the total amount of the SEC Collected from Customers for the Annual Review Period. The difference between the Total SEC Collected from Customers and the Total Budgeted SEC Revenue Requirement shall constitute the Over-Under Collection Adjustment. This adjustment shall include any remaining Over-Under
(T) amount from the prior period reconciliation during the Annual Review Period in addition to
(T) the Over-Under collection amount for the EDI during the Annual Review Period.

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

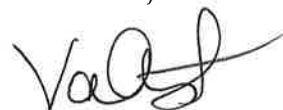
Interest will be computed as follows:

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Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment
Plus Earnings Test Adjustment

Total Amount Subject to Interest
Interest Rate Multiplied by 50%

Total Interest

Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

6. New Base Rates

The SEC rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the SEC. Thereafter, only the costs of new SEC eligible plant additions that have not previously been reflected in the Company's rate base, would be reflected in new annual prospective SEC filings.

7. Annual SEC Percentage Rate Filing

On or before December 1 of each year, the Company shall submit to the Commission a calculation of the SEC Percentage Rate for the following calendar year. The Annual SEC Percentage Rate Filing shall be verified by an officer of the Company. The Annual SEC Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted SEC Investment Amount, with such revenue adjustment applied through the SEC Percentage Rate. The SEC Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual SEC Percentage Rate Filing the following information at a minimum: (a) computation of the SEC Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted SEC Investment Amount and Forecasted Safety and Environmental Compliance Operational Expenses adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) statements demonstrating how each projected capital investment comprising the Forecasted SEC Investment Amount and each projected operational expense comprising the Forecasted Safety and Environmental Compliance Operational Expenses meet the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Commission may direct.

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The Company will simultaneously copy the Consumer Advocate on its Annual SEC Percentage Rate Filing.

8. Annual Reconciliation Filing with the Commission

On or before March 1 of each year, the Company shall submit to the Commission a reconciliation of the results of the operation of the SEC for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this SEC Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred SEC cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total SEC Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) schedules of the Actual SEC Investment Amount and Actual Safety and Environmental Compliance Operational Expenses, including related general ledger support, (f) a schedule of any proposed prior period adjustments, (g) an affirmative statement of whether the Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (h) the cumulative amount of SEC collected from customers under this Rider, and (i) such other information as the Commission may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

9. Notice Requirements

The Company will file revised tariffs for Commission approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

10. Public Interest Review

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TPUC NO. 19

Second Revised Sheet No. 12-SEC-11

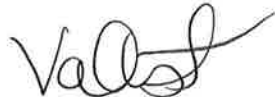
Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Commission, for a reconsideration of whether it remains in the public interest.

(T) Denotes Change in Text

ISSUED: **October 3, 2017**

EFFECTIVE: **November 2, 2017**

BY:



Valoria V. Armstrong
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

TENNESSEE-AMERICAN WATER COMPANY

TPUC NO. 19

Ninth Revised Sheet No. 12-Riders-1

CLASSIFICATION OF SERVICE**SUMMARY OF RIDERS****1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider (SEC"), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

2. The Percentage of Riders and Reconciliations

For the Riders defined in the tariffs:

QIIP	7.52 %	
EDI	0.34 %	
<u>SEC</u>	<u>6.09 %</u>	
Subtotal of all Capital Recovery Riders	13.95 %	
QIIP Annual Reconciliation Percentage	1.763 %	(I)
EDI Annual Reconciliation Percentage	-0.031 %	(D)
<u>SEC Annual Reconciliation Percentage</u>	<u>-0.826 %</u>	(D)
Subtotal of all Reconciliation Percentages	0.906 %	(I)
Total of Capital Recovery Riders and Reconciliation Percentages	14.856%	
PCOP	-0.89 %	

(D) Indicates Decrease

(I) Indicates Increase

ISSUED: September 12, 2017

EFFECTIVE: August 16, 2017

BY:

Valoria Armstrong
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

CLASSIFICATION OF SERVICE**SUMMARY OF RIDERS****1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider (SEC"), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

2. The Percentage of Riders and Reconciliations

For the Riders defined in the tariffs:

QIIP	9.94 %	
EDI	0.41 %	
<u>SEC</u>	<u>6.03 %</u>	
Subtotal of all Capital Recovery Riders	16.38 %	
QIIP Annual Reconciliation Percentage	2.484 %	(I)
EDI Annual Reconciliation Percentage	-0.053 %	(D)
<u>SEC Annual Reconciliation Percentage</u>	<u>-0.059 %</u>	(D)
Subtotal of all Reconciliation Percentages	2.372 %	(I)
Total of Capital Recovery Riders and Reconciliation Percentages	18.751%	(I)
PCOP	-1.21 %	

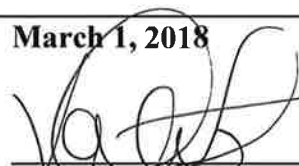
(D) Indicates Decrease

(I) Indicates Increase

ISSUED: March 1, 2018

EFFECTIVE: April 1, 2018

BY:


Valoria Armstrong
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

Authorization of Tennessee American Water Capital Recovery Riders
Since Last Rate Case (Docket No. 12-00049)

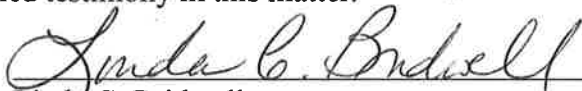
TRA Docket No.	Effective Date	Rider	Authorized Annual Change	Total Cumulative Rider	Reconciliation Authorized	Individual Authorized Rider Total	Capital Riders Cumulative Total
13-00130	4/15/2014	QIIP	0.790%	0.790%	0.000%	0.790%	1.080%
		EDI	0.180%	0.180%	0.000%	0.180%	
		SEC	0.110%	0.110%	0.000%	0.110%	
		Total	1.080%		0.000%		
14-00121	6/30/2015	QIIP	1.340%	2.130%	0.000%	2.130%	5.720%
		EDI	-0.130%	0.050%	0.000%	0.050%	
		SEC	3.430%	3.540%	0.000%	3.540%	
		Total	4.640%		0.000%		
15-00029*	11/1/2015	QIIP	0.000%	2.130%	0.254%	2.384%	5.888%
		EDI	0.000%	0.050%	-0.150%	-0.100%	
		SEC	0.000%	3.540%	0.064%	3.604%	
		Total	0.000%	5.720%	0.168%		
15-00111	3/15/2016	QIIP	2.430%	4.560%	0.000%	4.560%	10.380%
		EDI	0.050%	0.100%	0.000%	0.100%	
		SEC	2.180%	5.720%	0.000%	5.720%	
		Total	4.660%		0.000%		
16-00022*	10/11/2016	QIIP	0.000%	4.560%	1.166%	5.726%	11.250%
		EDI	0.000%	0.100%	-0.178%	-0.078%	
		SEC	0.000%	5.720%	-0.118%	5.602%	
		Total	0.000%		0.870%		
16-00126	3/14/2017	QIIP	2.960%	7.520%	0.000%	7.520%	13.950%
		EDI	0.240%	0.340%	0.000%	0.340%	
		SEC	0.370%	6.090%	0.000%	6.090%	
		Total	3.570%		0.000%		
17-00020*	8/16/2017	QIIP	0.000%	7.520%	1.763%	9.283%	14.856%
		EDI	0.000%	0.340%	-0.031%	0.309%	
		SEC	0.000%	6.090%	-0.826%	5.264%	
		Total	0.000%		0.906%		
Revised 17-00124	1/1/2018	QIIP	2.420%	9.940%	0.000%	9.940%	16.380%
		EDI	0.070%	0.410%	0.000%	0.410%	
		SEC	-0.060%	6.030%	0.000%	6.030%	
		Total	2.430%		0.000%		
Proposed*	8/16/2017	QIIP	0.000%	9.940%	2.484%	12.424%	18.752%
		EDI	0.000%	0.410%	-0.053%	0.357%	
		SEC	0.000%	6.030%	-0.059%	5.971%	
		Total	0.000%		2.372%		

* Reconciliations are only effective until December 31 of the year authorized by the TRA.

STATE OF Kentucky)
COUNTY OF Fayette)

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Linda C. Bridwell, being by me first duly sworn deposed and said that:

She is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Public Utility Commission, and if present before the Commission and duly sworn, her testimony would be as set forth in her pre-filed testimony in this matter.


Linda C. Bridwell

Sworn to and subscribed before me
this 28th day of February, 2018.


Notary Public

My Commission Expires: 7/25/2020